

2022 FINANCIAL REPORT



UNIVERSITY of NORTH CAROLINA WILMINGTON



TABLE OF CONTENTS

1	Letter of Transmittal
3	Management's Discussion and Analysis
19	Statement of Net Position
21	Statement of Revenues, Expenses, and Changes in Net Position
22	Statement of Cash Flows
24	Statement of Fiduciary Net Position
25	Statement of Changes in Fiduciary Net Position
26	Notes to Financial Statements
67	Required Supplementary Information
75	The Board of Trustees and University Officers
77	Other Information

A Letter of Transmittal

To: The Chancellor and Board of Trustees of the University of North Carolina Wilmington

The Annual Financial Report of the University of North Carolina Wilmington (University or UNCW) includes financial statements for the year ended June 30, 2022, as well as other useful information that helps ensure accountability to the public. Each statement is explained in further detail in the management discussion and analysis and notes to the financial statements. I believe the information within this financial report is accurate in all material respects, fairly presents the University's financial position, and that our system of internal controls is sound and sufficient to disclose any material deficiencies to the auditors and the audit committee.

Each basic financial statement is prepared in accordance with generally accepted accounting principles in the United States of America through the Governmental Accounting Standards Board (GASB). The 2022 Financial Report includes the University's financial statements as well as its four blended component units: the Donald R. Watson Foundation, Inc., the UNCW Corporation, the UNCW Corporation II, and the UNCW Research Foundation. Although legally separate, these component units are reported as if they were part of the University based on the nature and significance of each entity's relationship to UNCW.

UNCW achieved a number of milestones in fiscal year 2022 (FY22) including the enrollment of 18,000 students, the largest student roll in the university's 74-year history. It was with excitement that faculty and staff welcomed these students to campus in FY22 following two years of modified operations due to the COVID-19 pandemic. The return of Seahawks to the nest resulted in increased sales and services revenue by 26.7%, which was boosted in part by the opening of Loggerhead and Terrapin Halls, suite-style dorms designed to house upperclassmen as part of UNCW's public-private partnership with CHF-Wilmington, LLC. Tuition and fees increased 19.4% driven by record level enrollment and increases to mandatory fees related to health services and security.

The university continued to benefit from strong support from the State of North Carolina, realizing a generous increase in appropriations of \$24.5 million driven largely by permanent enrollment growth funding of \$12.1 million, legislative increases of \$3.5 million, building reserves of \$2.2 million, and a non-recurring allocation for veteran's waivers of \$1.8 million. In addition, the State approved State Capital Infrastructure Fund (SCIF) grants of \$8.4 million for Randall Library and \$1.0 million for the Center for Marine Sciences building. The aforementioned revenue growth combined with state support and prudent spending oversight combined to further enhance UNCW's strong financial position.

UNCW's total net position increased \$65.5 million or 15% in FY22. Unrestricted net position increased \$49.1 million or 25% primarily due to an increase in pooled cash of \$14.9 million and a net decrease related to OPEB and pension liabilities of \$31.2 million.

Despite the sharp pull-back in public equity and fixed income markets over the last two quarters, our endowment investments generated positive performance for the 12-month FY22 period, returning 4.4%. Increases to the portfolio included gifts and additions of \$6.8 million and net investment returns of \$5.5 million. These increases were offset by \$6.8 in annual spending distributions.

Giving to UNCW has been strong during the public phase of UNCW's comprehensive fundraising campaign, *"Like No Other: The Campaign for UNCW."* UNCW neared its \$100 million campaign goal with over \$14 million in gifts, commitments and planned gifts announced in FY22, which will support UNCW's engaging academic programs and dynamic student experiences.

Net position was also favorably impacted by an increase in net capital assets of \$60.1 million, largely due to the completion of the final two P3 dorms, the Shore Dining Hall, and the Film Studies building. Net position also grew due to the receipt of appropriations earmarked to fund early stage improvements to Randall Library and the Center for Marine Science as well as bond proceeds related to the recreation field expansion project. UNCW issued \$8.42 million in bonds in order to expand its Recreation Fields and Facilities to further enhance student life.

UNCW continues to grow with the times as evidenced by new approved degree offerings. UNCW is the first institution in the UNC System to offer undergraduate degrees cybersecurity and intelligent systems engineering, which complements our Center for Cyber Defense Education. UNCW also expanded its graduate offerings. Taking advantage of UNCW's coastal location and extensive research infrastructure, a new Ph.D. program in Applied Coastal and Ocean Sciences was approved as well as a Ph.D. in Pharmaceutical Chemistry which builds on an exciting partnership with UNC Eshelman School of Pharmacy to train new pharmacists. UNCW's doctoral program tally now stands at six, affirming our commitment to research and development.

Seahawks reached milestones outside the classroom, as Seahawk athletes won Colonial Athletic Association Championships in Men's Tennis, Women's Softball and Men's Swimming & Diving with Men's Basketball being named CBI Champions. The University recognized the late Pat Leonard, Vice Chancellor for Student Affairs, for her leadership in elevating student experiences with the dedication of the Student Recreation Center in her honor.

UNCW's academic track record continues to be recognized nationally as it receives strong rankings from publications such as *The Princeton Review*, *Fiske Guide to Colleges*, *BestColleges.com*, and *The Business Journals*, among others. For the third year in a row, UNCW was one of only three UNC System institutions ranked among the "Top 100 Public National Universities," according to *U.S. News & World Report*. UNCW was also one of only four UNC System schools to be listed in the *Fiske Guide to Colleges 2022*, which profiles only 300 of the "best and most interesting" schools in the nation, recognizing UNCW for its high-impact applied learning experiences, strong academics, and affordability.

FY22 marked the end of the tenure of Dr. Jose V. Sartarelli, who retired as Chancellor. UNC System President Peter Hans said it best when he recognized Chancellor Sartarelli for taking "UNC Wilmington to new heights, leading with ambition all while handling serious challenges posed by hurricanes and the pandemic." During his tenure, UNCW notably cultivated \$767 million in funding through various channels, launched numerous new academic programs and initiatives, grew enrollment to record levels, administered \$615 million in construction projects, and transformed campus through new construction and renovation.

Finally, it is also with excitement that the Seahawk community welcomes UNCW's seventh Chancellor, Dr. Aswani K. Volety as the University enters its 75th year of service to the community, the state of North Carolina, and its students in a proud Seahawk tradition.

Sincerely,



Miles Lackey
Vice Chancellor for Business Affairs

Management's Discussion and Analysis

Financial Analysis

The University of North Carolina Wilmington (University or UNCW) provides the following Management's Discussion and Analysis (MD&A) as an overview of the proprietary fund financial activities for the fiscal year ended June 30, 2022. The MD&A identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the previous year is presented to provide a better understanding of the financial information.

Using the Financial Statements

The University's financial report includes three proprietary fund financial statements that depict the financial activity and fiscal condition of the University for the current year and two fiduciary fund financial statements. These financial statements include: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position. The proprietary fund financial statements account for the University's primary activities. The fiduciary fund financial statements account for the University's fiduciary activities which are considered custodial funds. These financial statements are prepared in accordance with GASB principles and using the accrual basis of accounting. This method of accounting requires that revenues and assets be recognized when the service is provided. Expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged.

The Statement of Net Position includes all the University's proprietary fund assets, deferred outflows and inflows, liabilities, and net position. The University's proprietary fund net position (the monetary difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources) is one indicator of the University's financial viability. Over time, changes in the proprietary fund net position provide information on the improvement or erosion of the University's financial condition when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's proprietary fund revenues earned and expenses incurred during the fiscal year. Financial activities are reported as either operating or nonoperating. GASB Statement No. 35 classifies state appropriations and gifts as nonoperating revenues. With state appropriations and gifts being classified as nonoperating revenues, most public institutions will report an operating deficit.

An important factor to consider when evaluating the financial viability of the University is the ability to meet financial obligations as they mature. The Statement of Cash Flows presents proprietary fund information that allows the reader to evaluate the University's ability to meet its financial obligations on a current basis.

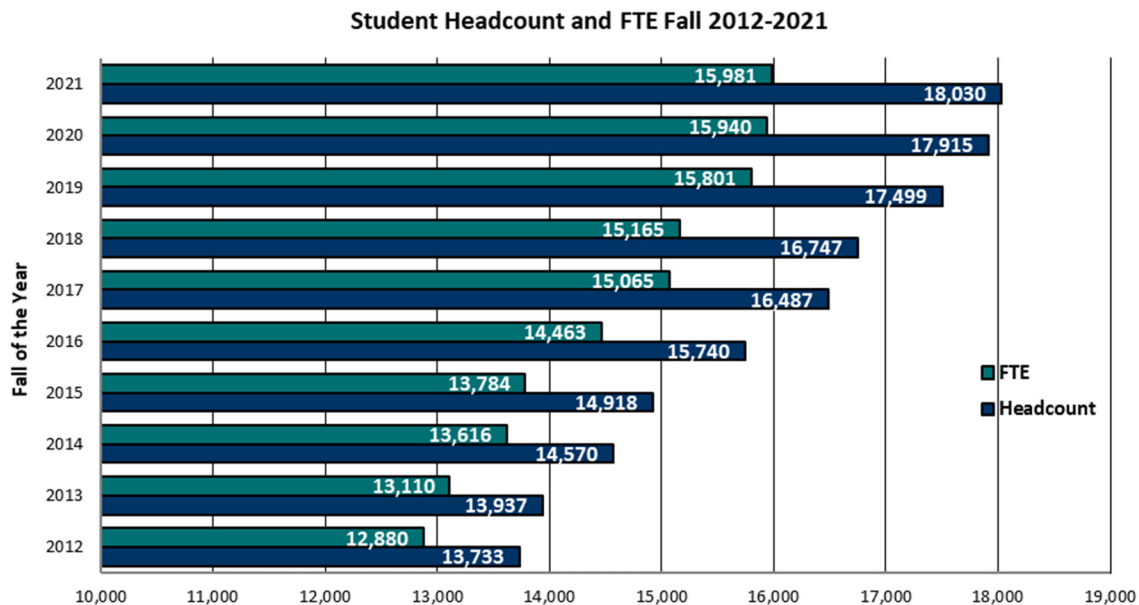
The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position present the University's fiduciary fund assets, liabilities, net position, additions, and deductions related to resources held by the University in a custodial capacity for the four related parties described in Note 19.

Financial Highlights

After two years of successfully navigating the coronavirus (COVID-19) pandemic, fiscal year 2022 highlights included the widespread return of students to campus; a new state budget with significant, permanent budget increases; the additions of Loggerhead and Terrapin Halls; and continued enrollment growth. With students returning to campus at near pre-pandemic levels, student fee and sales and services revenues, net increased \$14.9 million and \$10.2 million, respectively. A modified tuition structure along with enrollment growth led to an additional \$5.6 million of tuition revenue, net. The University realized a significant increase in appropriations of \$24.5 million. This increase is largely made up of the fiscal year 2022 permanent enrollment growth funding of \$12.1 million, legislative increases of \$3.5 million, building reserves of \$2.2 million, and a non-recurring allocation for veteran's waivers of \$1.8 million. In addition, the State approved State Capital Infrastructure

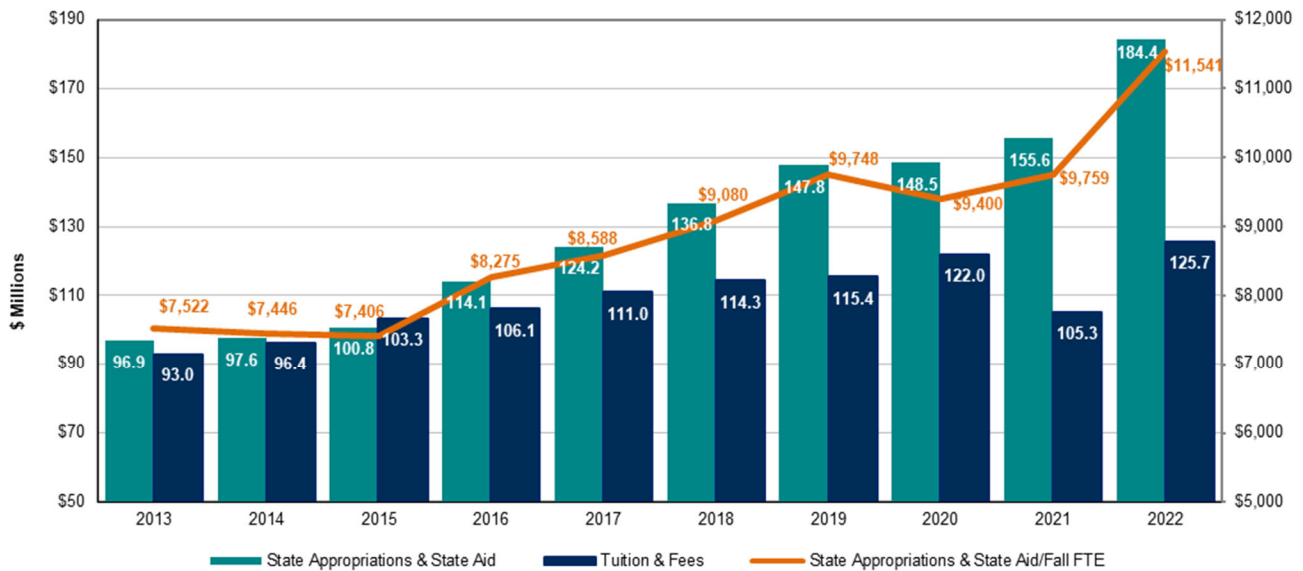
Fund (SCIF) grants of \$8.4 million for Randall Library and \$1.0 million for the Center for Marine Sciences building. Loggerhead and Terrapin Halls, the final two dormitories of the public-private partnership (P3) with CHF-Wilmington, LLC (CHF), provided additional student housing to meet current and future enrollment growth needs.

UNCW continues to operate under the fixed tuition program established by North Carolina General Statute 116-143.9 which stipulates that tuition remain fixed for four years for continuously enrolled undergraduate resident students. The University did increase fees for fiscal year 2022. Specifically, health services fees increased from \$219 to \$246 to respond to the increased need for counseling services as a result of the pandemic and campus security fees increased from \$30 to \$60 to provide for new initiatives, staffing, and security measures.



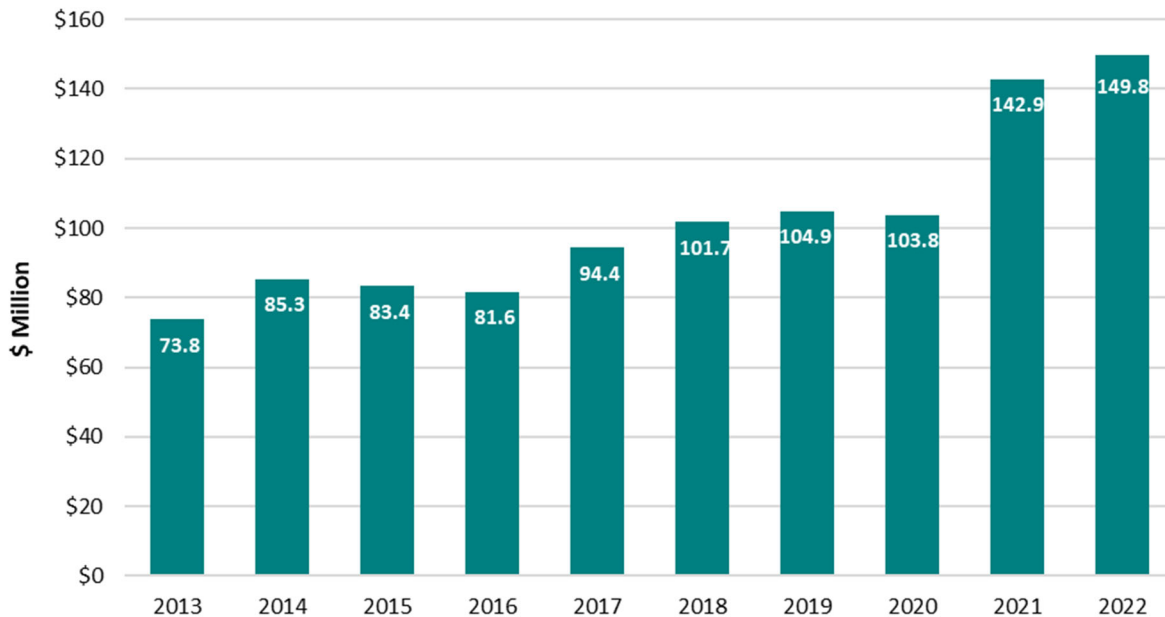
UNCW's fall 2021 full-time equivalent (FTE) of 15,981 was an increase of 0.3% over fall 2020. UNCW has experienced steady growth with a continuing focus on quality as demonstrated by an average incoming Scholastic Assessment Test score of 1277 for fall 2021.

**State Appropriations & State Aid, Tuition & Fees and
State Appropriations & State Aid per Fall FTE 2013-2022**



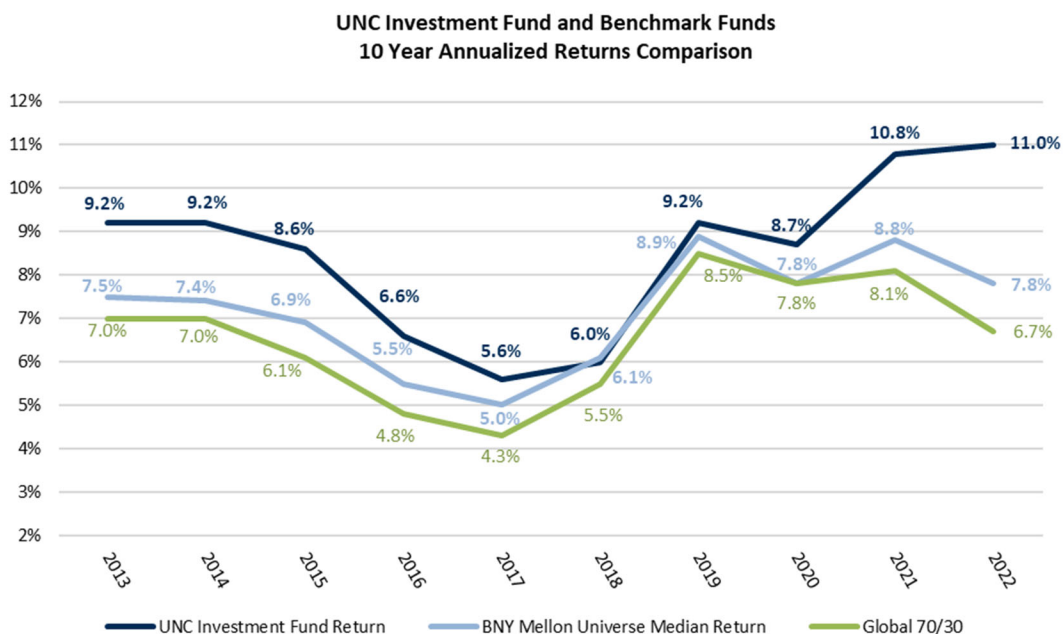
A significant increase in state appropriations led to state aid per fall student FTE increasing to \$11,541 in fall 2022. As noted above, the increase in fees as a result of the return to near pre-pandemic levels of on campus students resulted in a 19.4% increase in tuition and fees in fiscal year 2022.

Endowment Net Position 2013-2022

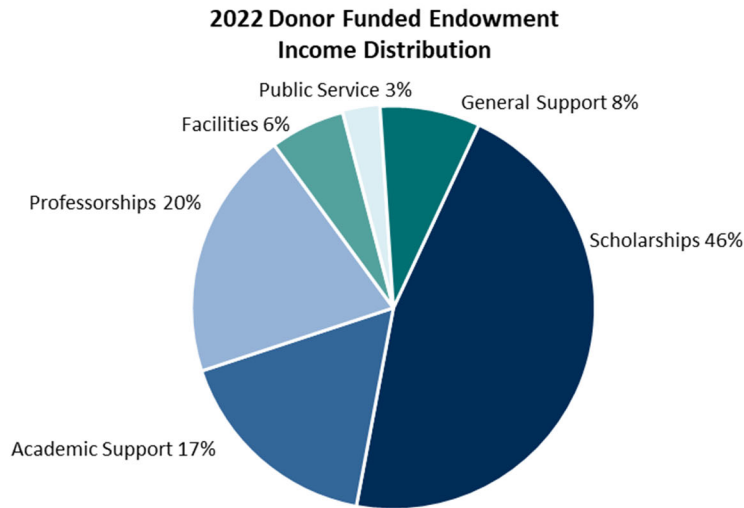


The net position of the endowments grew from \$142.9 million to \$149.8 million over the twelve months ending June 30, 2022. Net investment returns of \$5.5 million and gifts/additions to the endowment of \$6.8 million funded withdrawals for spending distributions and administrative fees in the amount of \$5.4 million.

Despite the sharp pull-back in public equity and fixed income markets over the last two quarters, endowment investments with the UNC Investment Fund (UNCIF) generated positive performance for the twelve-month fiscal year 2022 period, returning 4.4%. This performance is significantly ahead of the 14.0% loss on the Global 70/30 Portfolio. The outperformance is a result of the strong returns generated by the fund's exposure to private investments returning more than 36% in aggregate for the twelve-month period. Relative to peers, the UNCIF's fiscal year 2022 return ranks in the top 10% of the BNY Mellon Endowment and Foundation Funds Universe.



UNCIF is managed with a focus on long-term time horizons and with a primary return objective to provide a stream of distributions to support scholarship and academic programs in “real dollars” in perpetuity. The UNCIF's ten-year annualized return as of June 30, 2022 of 11.0% exceeds the 7.1% return of this long-term objective. Additionally, the UNCIF's return over the ten-year period exceeds both the Global 70/30 Portfolio and the median return of the BNY Mellon Endowment and Foundation Funds Universe, which returned 6.7% and 7.8%, respectively.



Consistent with prior years, the Endowment primarily supported student scholarships (46%), professorships (20%), and academic programs (17%).

Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows, and net position (total assets plus deferred outflows minus total liabilities and deferred inflows) of the University's proprietary funds. This statement provides a fiscal snapshot of the University's financial position as of June 30, 2022. This statement includes information on assets available for continuing operations and amounts due to vendors, investors, and lending institutions. In the condensed statement of net position below, assets, current liabilities, long-term liabilities, net, deferred inflows of resources, and net investment in capital assets in the proprietary fund at June 30, 2021 were restated because of the implementation of GASB Statement No. 87 during fiscal year 2022 as discussed further in Note 22 of the financial statements.

Condensed Statement of Net Position
Proprietary Fund
June 30, as Indicated

	2022	2021 (as Restated)	Change	% Change
Assets				
Current Assets	\$ 218,355,533	\$ 200,445,347	\$ 17,910,186	8.9%
Capital Assets, Net	782,566,623	722,490,810	60,075,813	8.3%
Other Noncurrent Assets	182,418,587	167,901,054	14,517,533	8.6%
Total Assets	1,183,340,743	1,090,837,211	92,503,532	8.5%
Total Deferred Outflows of Resources	96,726,873	81,106,901	15,619,972	19.3%
Liabilities				
Current Liabilities	32,030,779	36,571,509	(4,540,730)	-12.4%
Long-Term Liabilities, Net	512,457,526	508,569,821	3,887,705	0.8%
Other Noncurrent Liabilities	3,357,629	6,137,460	(2,779,831)	-45.3%
Total Liabilities	547,845,934	551,278,790	(3,432,856)	-0.6%
Total Deferred Inflows of Resources	229,350,198	183,271,299	46,078,899	25.1%
Net Position				
Net Investment in Capital Assets	438,537,558	428,352,223	10,185,335	2.4%
Restricted - Nonexpendable	79,402,565	72,859,495	6,543,070	9.0%
Restricted - Expendable	136,143,091	136,453,823	(310,732)	-0.2%
Unrestricted	(151,211,730)	(200,271,518)	49,059,788	24.5%
Total Net Position	\$ 502,871,484	\$ 437,394,023	\$ 65,477,461	15.0%

On June 30, 2022, total University assets were \$1.2 billion. The largest asset categories were the University's cash and cash equivalents of \$220.8 million, endowment investments of \$140.0 million, and net capital assets of \$782.6 million.

Assets

The primary driver in the \$17.9 million increase in current assets was an increase of \$18.0 million of pooled cash with the State Treasurer. The increase in pooled cash was primarily due to the \$14.9 increase in fees as discussed in the financial highlights section above.

Capital assets, net increased \$60.1 million during fiscal year 2022. This was largely due to the two dormitories (\$59.6 million) and general infrastructure (\$1.4 million) recorded as part of the service concession arrangement described in Note 7 of the Notes to the Financial Statements. See the Capital Assets section below for additional information on the increase.

Other noncurrent assets increased by \$14.5 million due primarily to an increase of \$12.2 million of restricted capital related cash at year end. This was due largely to unspent SCIF receipts for early-stage improvements to Randall Library (\$8.4 million) and the Center for Marine Sciences building (\$1.0 million) and an increase in unspent bond proceeds for capital projects (\$5.5 million).

Deferred Outflows of Resources

For fiscal year 2022, total deferred outflows of resources increased \$15.6 million. Deferred outflows fluctuate yearly due to changes in pension and other postemployment benefits (OPEB) liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred outflows for OPEB increased \$14.7 million due mainly to changes in assumptions and changes in the University's proportionate share of the liability and contributions during the year of \$11.6 million and \$2.3 million, respectively.

Liabilities

Current liabilities decreased \$4.5 million mainly due to a decrease of \$4.0 million in current unearned revenue during the year. This decrease was primarily the result of Higher Education Relief Funds (HEERF) of \$6.4 million received in fiscal year 2021 that were reported as earned revenue during fiscal year 2022, offset by an increase of \$1.0 million and \$1.1 million in unearned revenue for other contracts and grants, and summer school tuition and fees, respectively.

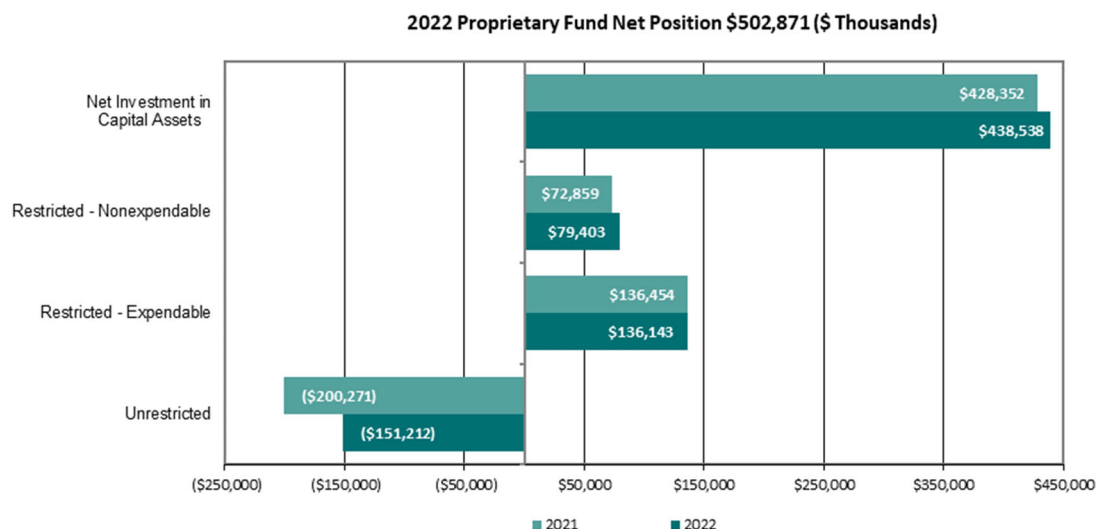
Long-term liabilities, net increased \$3.9 million mainly due to an increase of \$36.5 million related to the net OPEB liability offset by a decrease of \$29.8 million related to the net pension liability. See sections on deferred outflows/inflows of resources related to pensions and OPEB for more details on these fluctuations, as well as Notes 14 and 15 of the Notes to the Financial Statements.

Other noncurrent liabilities decreased \$2.8 million during fiscal year 2022 primarily due to an overall decrease in unearned revenue of \$1.8 million. Specifically, \$1.1 million of revenue related to the University's dining contract with Aramark and an additional \$0.7 million of revenue related to grants and contracts was earned in fiscal year 2022.

Deferred Inflows of Resources

Total deferred inflows of resources increased \$46.1 million during fiscal year 2022. This was primarily a result of the additional \$58.4 million deferred inflows recorded as part of the service concession arrangement described in Note 7. Deferred inflows also fluctuate yearly due to changes in pension and OPEB liability/asset assumptions and actuarial inputs, such as differences between projected and actual investment earnings and changes in the University's proportion of the liabilities/assets. Deferred inflows for OPEB decreased \$37.6 million due to a \$28.2 million decrease related to changes in actuarial assumptions, a \$5.6 million decrease in the proportionate liability, and a \$4.0 million decrease due to the difference between actual and expected actuarial experience. Deferred inflows for pensions increased \$25.9 million due to the net difference between projected and actual earning on pension plan investments.

Net Position



The \$10.2 million increase in net investment in capital assets was due primarily to the \$60.1 million increase in capital assets discussed above and a \$5.5 million increase in unspent bond proceeds related to early stage projects. This was offset by the net increase of \$58.4 million service concession arrangement deferred inflow of resources. The ending balance of the service concession arrangement deferred inflow of resources was \$126.4 million as \$61.0 million was added with the completion of Phase II during fiscal year 2022, offset by \$2.6 million of amortization. See Note 7 for additional information regarding the service concession arrangement.

Restricted nonexpendable net position increased \$6.5 million as a result of the new gifts/additions, net investment returns, and withdrawals for spending distributions and administrative fees discussed in the endowment portion of the financial highlight section above.

Unrestricted net position improved \$49.1 million primarily due to the \$17.9 million increase in current assets discussed above, the \$37.6 million decrease in the deferred inflows for OPEB, and the \$14.7 million increase in the deferred outflows for OPEB, offset by the \$25.9 million increase in the deferred inflows for pensions, as discussed above.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position includes the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, both operating and nonoperating, as well as any other revenues, expenses, gains, and losses received or expended by the University's proprietary funds.

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; examples include state appropriations, noncapital grants and gifts, and investment income. Nonoperating expenses include interest and fees on debt, loss on sale of assets, and other expenses not involved in the normal operations of the University.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For Year Ended June 30, as Indicated

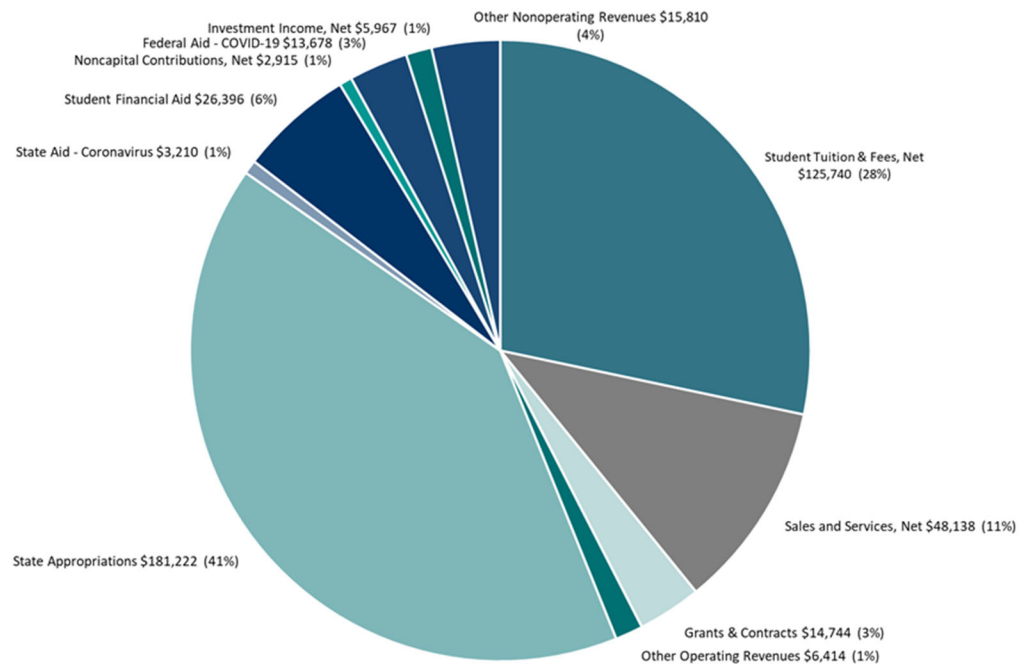
	2022	2021 (as Restated)	Change	% Change
Operating Revenues				
Student Tuition and Fees, Net	\$ 125,740,431	\$ 105,270,023	\$ 20,470,408	19.4%
Sales and Services, Net	48,137,746	37,987,226	10,150,520	26.7%
Grants and Contracts	14,744,076	12,618,196	2,125,880	16.8%
Other Operating Revenues	6,413,656	3,561,117	2,852,539	80.1%
Total Operating Revenues	195,035,909	159,436,562	35,599,347	22.3%
Operating Expenses				
Salaries and Benefits	222,181,945	217,064,717	5,117,228	2.4%
Supplies and Services	91,207,489	74,296,115	16,911,374	22.8%
Scholarships and Fellowships	31,147,710	42,185,426	(11,037,716)	-26.2%
Utilities	8,781,853	7,254,663	1,527,190	21.1%
Depreciation/Amortization	16,644,614	16,741,545	(96,931)	-0.6%
Total Operating Expenses	369,963,611	357,542,466	12,421,145	3.5%
Operating Loss	(174,927,702)	(198,105,904)	23,178,202	-11.7%
Nonoperating Revenues (Expenses)				
State Appropriations	181,222,251	148,882,748	32,339,503	21.7%
State Aid - Coronavirus	3,209,461	6,679,340	(3,469,879)	-51.9%
Student Financial Aid and Noncapital Contributions	29,311,487	37,640,986	(8,329,499)	-22.1%
Federal Aid - COVID-19	13,678,372	39,796,415	(26,118,043)	-65.6%
Investment Income, Net	5,966,519	40,511,581	(34,545,062)	-85.3%
Interest and Fees on Debt	(7,624,150)	(7,775,982)	151,832	-2.0%
Hurricane Florence Disaster Costs	(1,168,586)	(3,384,095)	2,215,509	-65.5%
Hurricane Florence Insurance Recoveries	2,099,328	-	2,099,328	100.0%
Other Nonoperating Revenues	286,312	35,235	251,077	712.6%
Other Revenues				
Capital Appropriations	-	7,835,934	(7,835,934)	-100.0%
Capital Contributions	10,125,117	9,565,258	559,859	5.9%
Additions to Endowments	3,299,052	7,208,816	(3,909,764)	-54.2%
Total Net Nonoperating and Other Revenues	240,405,163	286,996,236	(46,591,073)	-16.2%
Increase in Net Position	65,477,461	88,890,332	(23,412,871)	-26.3%
Net Position - Beginning of Year	437,394,023	348,505,590	88,888,433	25.5%
Net Position and Net Position Prior to Restatement	502,871,484	437,395,922	65,475,562	15.0%
Restatement to record the University's Lease Assets, Liabilities, and Deferred Inflows of Resources Pursuant to GASB 87 Requirements	-	(1,899)	1,899	100.0%
Net Position and Net Position as Restated	\$ 502,871,484	\$ 437,394,023	\$ 65,477,461	15.0%
Reconciliation of Change in Net Position				
Total Revenues	\$ 444,233,808	\$ 457,592,875	\$ (13,359,067)	-2.9%
Less: Total Expenses	378,756,347	368,702,543	10,053,804	2.7%
Increase in Net Position	\$ 65,477,461	\$ 88,890,332	\$ (23,412,871)	-26.3%

Overall, net position increased \$65.5 million during the year ended June 30, 2022 which was a decrease of \$23.4 million when compared with the fiscal year 2021 overall increase of \$88.9 million. This was due to the comparative decrease in operating losses of \$23.2 million offset by a \$46.6 million decrease in total net nonoperating and other revenues.

Operating Revenues

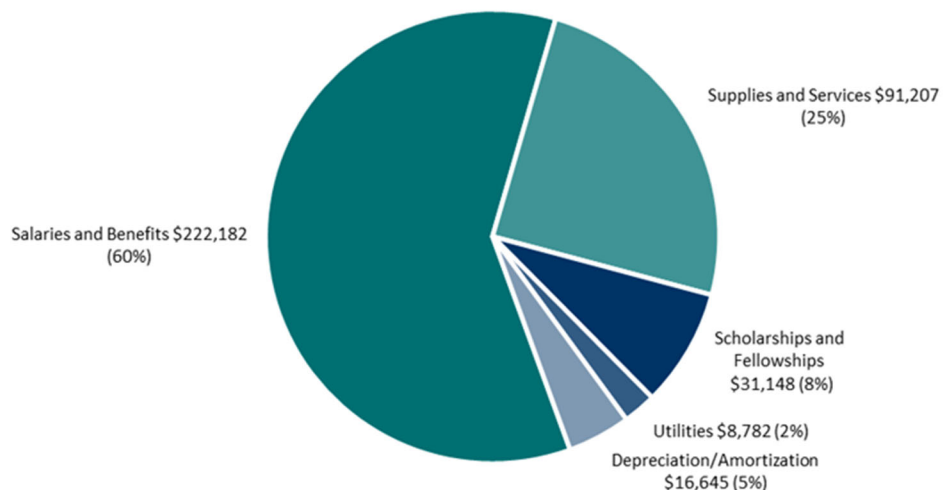
Student tuition and fees, net increased \$20.5 million due primarily to the \$14.9 million increase in fees discussed above and a \$5.6 million increase in tuition due to enrollment increases and the change in tuition rates to a per credit hour model. The \$10.2 million increase in sales and services, net was due primarily to the shift back to students attending classes on campus. Specifically, dining, housing, and parking services revenues increased \$6.8 million, \$1.1 million, and \$1.0 million, respectively.

2022 Revenue by Source \$444,234
(\$ Thousands)



Operating Expenses

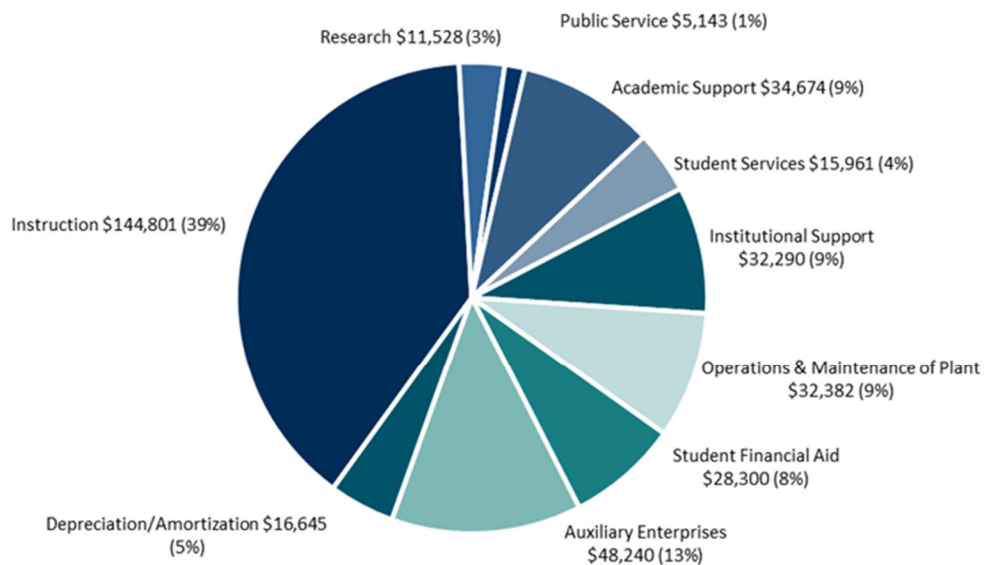
**2022 Operating Expense by Nature \$369,964
(\$ Thousands)**



Supplies and services increased 22.8% or \$16.9 million mainly due to the return of students to campus and the reinstatement of employee travel during fiscal year 2022. Specifically, food services, employee travel, repairs and maintenance, and other supplies and services increased \$4.5 million, \$4.0 million, \$2.0 million, and \$5.1 million, respectively.

The University expended the remaining balances of existing state and federal COVID-19 awards during fiscal year 2022 resulting in fewer student aid grants when compared to the prior year and decreased scholarships and fellowships of 26.2% or \$11.0 million.

**2022 Operating Expense by Function \$369,964
(\$ Thousands)**



Instruction expense of \$144.8 million remains the largest expense by function. The overall increase in operating expenses of \$12.4 million was due mainly to the increase in supplies and services (\$16.9 million) and the offsetting decrease in scholarships and fellowships (\$11.0 million) as discussed in the operating expenses section above as well as the \$5.1 million increase in salaries and benefits. Fiscal year 2022 salaries and benefits included a 2.5% legislative increase provided in the newly adopted state budget plus additional discretionary market adjustments provided by the University in fiscal year 2022.

Nonoperating Revenues and Expenses

State appropriations increased \$32.3 million when compared to fiscal year 2021 due mainly to 2022 permanent enrollment growth funding of \$12.1 million, legislative increases of \$3.5 million, building reserves of \$2.2 million, and a non-recurring allocation for veteran's waivers of \$1.8 million in addition to the fact that in the prior year \$7.8 million of state appropriations were designated and reported as restricted capital appropriations as required by legislation. Federal aid – COVID-19 Higher Education Emergency Relief Funds (HEERF) revenue decreased \$26.1 million due in large part to the completion of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) Act which provided for \$39.8 million of revenue in fiscal year 2021 compared with \$13.7 million in fiscal year 2022. The \$8.3 million decrease in student financial aid and noncapital contributions was largely attributable to the decrease in noncapital contributions of \$7.5 million. The primary factors of the decrease were the \$2.4 million decrease in noncapital gifts, the \$1.5 million decrease in noncapital revenue from insurance claims, and the \$0.9 million decrease in Pell grants during the current fiscal year.

As discussed in the financial highlights section, the endowment fund returned 4.4% in fiscal year 2022 compared to 42.3% in fiscal year 2021 as the stock market pulled back in response to inflation and interest rate hikes by the Federal Reserve. This resulted in investment income, net of \$6.0 million, a decrease of \$34.5 million from the prior fiscal year.

Other Revenues

As noted above, in the prior fiscal year, the legislature designated the management flexibility portion of the annual cash carryforward be used for capital projects and as a result, \$7.8 million was reported as capital appropriations instead of state appropriations in the financial statements. There were no such restrictions in the current fiscal year.

Capital Assets and Debt Administration

Capital Assets

The University had \$782.6 million invested in capital assets at June 30, 2022, as reported in the table below, an increase of \$60.1 million from 2021.

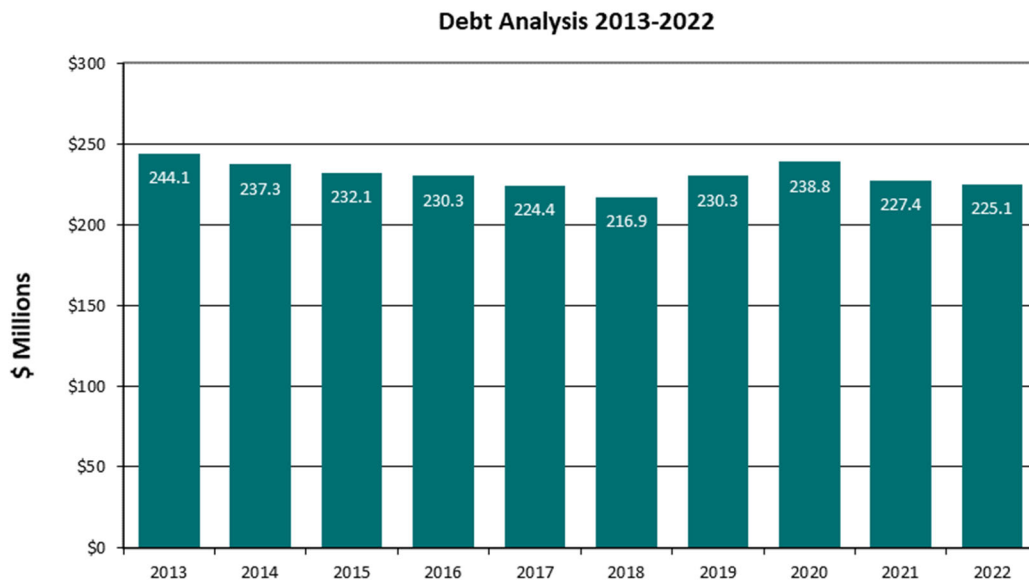
Capital Assets Net of Depreciation June 30, as Indicated

	2022	2021 (as Restated)	Change
Land and Permanent Easements	\$ 14,848,968	\$ 14,848,968	\$ -
Art, Literature, and Artifacts	2,191,630	2,173,325	18,305
Construction In Progress	17,455,830	25,951,648	(8,495,818)
Buildings, Net	672,638,231	604,893,331	67,744,900
Machinery and Equipment, Net	21,429,897	20,443,865	986,032
General Infrastructure, Net	52,230,078	52,230,415	(337)
RTU Leased Buildings, Net	981,428	1,051,615	(70,187)
RTU Leased Machinery and Equipment, Net	790,561	897,643	(107,082)
Total Capital Assets	\$ 782,566,623	\$ 722,490,810	\$ 60,075,813

During fiscal year 2022, the University placed into service several capital assets associated with the service concession arrangement with CHF-Wilmington, LLC. As a result, buildings, net, increased by \$59.6 million for two dormitories. See Note 7 for further information regarding the service concession arrangement. The additional increase in buildings, net, was mostly due to the completion of the Shore Dining Hall (\$13.6 million) and the Film Studies building (\$4.0 million) offset by a net increase in accumulated depreciation for buildings of \$10.8 million.

Debt

As of June 30, 2022, the University's \$225.1 million in long-term debt included outstanding revenue bonds payable, limited obligation bonds, and bonds from direct placements of \$216.4 million and notes from direct borrowings of \$8.7 million.

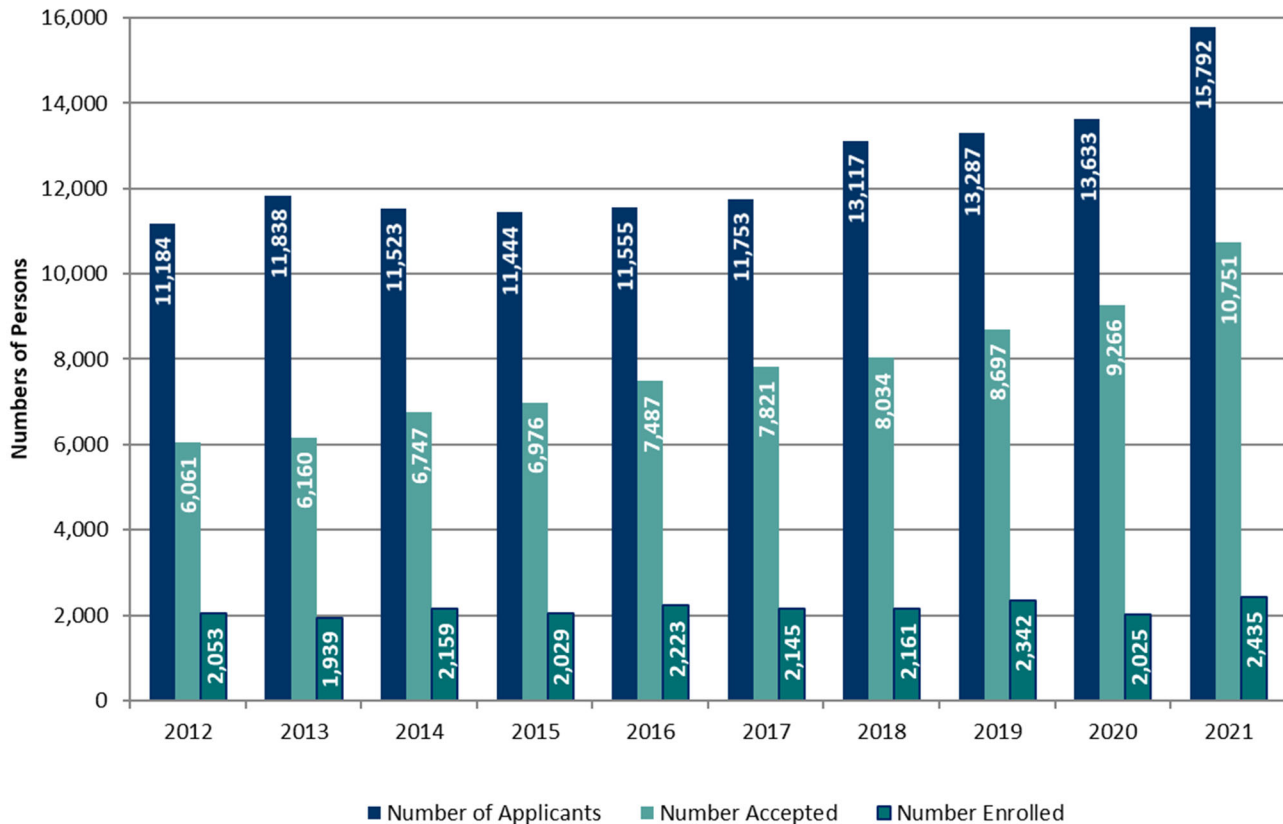


For additional information on capital assets and debt administration, see Notes 6, 9, and 10 of the financial statements.

Economic Forecast

UNCW's commitment to the continued success of the University and its students remains as strong as ever. In fall 2021, the number of freshman applications climbed to 15,792 and enrollment increased to 2,435. Overall enrollment increased to 18,030 students driven primarily by the increase in graduate enrollment of 277 students in fall 2021. Preliminary data shows fall 2022 freshman applications of 16,859, an increase of 6.8% and freshman enrollment of 2,370, a slight decrease of 2.7%. Preliminary data for fall 2022 also shows total enrollment decreasing to 17,843.

Freshman Fall Enrollment 2012-2021



For fiscal year 2023, UNCW requested an enrollment growth allocation of \$4.3 million to further support growth and operations of the University.

UNCW participates in the fixed tuition program established by North Carolina General Statute 116-143.9, which stipulates that tuition remain fixed for four years for continuously enrolled undergraduate resident students. Effective fall 2022, UNCW increased tuition \$555 for undergraduate students and \$556 for graduate students representing a 3.0% increase. The additional revenue will support graduate tuition remission and faculty and staff retention. The University did not increase fees for fiscal year 2023.

As the University looks ahead to celebrating its 75th anniversary in fiscal year 2023, excellence, integrity, diversity, and innovation continue to shape the student-centered learning experience. These values, along with our ever-present dedication to community engagement, are among the distinctive qualities that make UNCW one of the best institutions of higher education in the nation. The University was once again ranked as one of the best public national universities and its online bachelor's programs were ranked 26th nationally by U.S. News & World Report during fiscal year 2022. In addition, the University announced new programs in cybersecurity and intelligent systems engineering in the fall of 2022, and a doctoral program in pharmaceutical chemistry to be offered in the fall of 2023.

Contacting the University's Financial Management

This financial report is designed to provide our students, citizens, investors, and creditors with a general overview of the University's finances and demonstrate accountability of all funds. Contact the Controller's Office at (910) 962-3144 for additional financial information or access the Controller's Office web page at http://www.uncw.edu/controller/financial_reports.html.

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Statement of Net Position

Proprietary Fund

June 30, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 149,745,175
Restricted Cash and Cash Equivalents	31,438,100
Receivables, Net (Note 5)	13,097,135
Due from Primary Government	22,891,265
Inventories	594,294
Notes Receivable (Note 5)	220,361
Leases Receivable (Note 10)	369,203

Total Current Assets	<u>218,355,533</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	39,585,383
Receivables, Net (Note 5)	485,785
Endowment Investments	139,974,673
Notes Receivable, Net (Note 5)	1,539,156
Leases Receivable (Note 10)	693,216
Net Other Postemployment Benefits Asset	140,374
Capital Assets - Nondepreciable (Note 6)	34,496,428
Capital Assets - Depreciable, Net (Note 6)	<u>748,070,195</u>

Total Noncurrent Assets	<u>964,985,210</u>
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Total Assets	<u>1,183,340,743</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Loss on Refunding	5,743,877
Deferred Outflows Related to Pensions	23,533,273
Deferred Outflows Related to Other Postemployment Benefits (Note 15)	<u>67,449,723</u>

Total Deferred Outflows of Resources	<u>96,726,873</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 8)	4,231,775
Deposits Payable	54,236
Funds Held for Others	53,592
Unearned Revenue	14,209,978
Interest Payable	1,300,585
Long-Term Liabilities - Current Portion (Note 9)	<u>12,180,613</u>

Total Current Liabilities	<u>32,030,779</u>
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Noncurrent Liabilities:

Accounts Payable	100,853
Funds Held for Others	658,249
Unearned Revenue	1,809,944
U.S. Government Grants Refundable	788,583
Long-Term Liabilities, Net (Note 9)	<u>512,457,526</u>

Total Noncurrent Liabilities	<u>515,815,155</u>
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Total Liabilities	<u>547,845,934</u>
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Statement of Net Position

Proprietary Fund

June 30, 2022

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Under Service Concession Arrangements (Note 7)	126,415,295
Deferred Gain on Refunding	1,027,079
Deferred Inflows Related to Pensions	25,897,185
Deferred Inflows Related to Other Postemployment Benefits (Note 15)	74,937,947
Deferred Inflows for Leases	<u>1,072,692</u>

Total Deferred Inflows of Resources	<u>229,350,198</u>
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NET POSITION

Net Investment in Capital Assets	<u>438,537,558</u>
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Restricted:

Nonexpendable

True Endowments	78,744,138
Student Loans and Other	<u>658,427</u>

Total Restricted-Nonexpendable Net Position	<u>79,402,565</u>
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Expendable

Scholarships, Research, Instruction, and Other	77,618,896
Student Loans	978,996
Capital Projects	<u>57,545,199</u>

Total Restricted-Expendable Net Position	<u>136,143,091</u>
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Unrestricted	<u>(151,211,730)</u>
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Total Net Position	<u>\$ 502,871,484</u>
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The accompanying notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Fiscal Year Ended June 30, 2022

OPERATING REVENUES

Student Tuition and Fees, Net (Note 12)	\$ 125,740,431
Federal Grants and Contracts	8,213,704
State and Local Grants and Contracts	3,769,883
Nongovernmental Grants and Contracts	2,760,489
Sales and Services, Net (Note 12)	48,137,746
Lease Income	466,678
Other Operating Revenues	<u>5,946,978</u>
Total Operating Revenues	<u>195,035,909</u>

OPERATING EXPENSES

Salaries and Benefits	222,181,945
Supplies and Services	91,207,489
Scholarships and Fellowships	31,147,710
Utilities	8,781,853
Depreciation/Amortization	<u>16,644,614</u>
Total Operating Expenses	<u>369,963,611</u>
Operating Loss	<u>(174,927,702)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	181,222,251
State Aid - Coronavirus	3,209,461
Student Financial Aid	26,396,375
Federal Aid - COVID-19	13,678,372
Noncapital Contributions, Net (Note 12)	2,915,112
Investment Income (Net of Investment Expense of \$480,782)	5,966,519
Interest and Fees on Debt	(7,624,150)
Hurricane Florence Disaster Costs (Note 18)	(1,168,586)
Hurricane Florence Insurance Recoveries (Note 18)	2,099,328
Interest Earned on Leases	6,921
Other Nonoperating Revenues	<u>279,391</u>
Net Nonoperating Revenues	<u>226,980,994</u>
Income Before Other Revenues	<u>52,053,292</u>
Capital Contributions	10,125,117
Additions to Endowments	<u>3,299,052</u>
Total Other Revenues	<u>13,424,169</u>
Increase in Net Position	65,477,461

NET POSITION

Net Position - July 1, 2021, as Restated (Note 22)	<u>437,394,023</u>
Net Position - June 30, 2022	<u>\$ 502,871,484</u>

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 186,914,624
Payments to Employees and Fringe Benefits	(241,682,699)
Payments to Vendors and Suppliers	(100,345,983)
Payments for Scholarships and Fellowships	(31,147,710)
Loans Issued	(84,010)
Collection of Loans	864,731
Interest Earned on Loans	30,556
William D. Ford Direct Lending Receipts	65,968,460
William D. Ford Direct Lending Disbursements	(65,968,460)
Related Activity Agency Receipts	36,770,573
Related Activity Agency Disbursements	(36,506,709)
Other Payments	(3,529,334)
Net Cash Used by Operating Activities	<u>(188,715,961)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	181,222,251
Proceeds from All-Risk Insurance	2,099,328
Hurricane Recovery Payments to Vendors and Suppliers	(1,168,586)
State Aid - Coronavirus	3,209,461
Student Financial Aid	25,448,163
Federal Aid - COVID-19	20,124,717
Noncapital Contributions	2,047,396
Additions to Endowments	<u>3,299,052</u>
Net Cash Provided by Noncapital Financing Activities	<u>236,281,782</u>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Proceeds from Capital Debt	9,957,320
Capital Contributions	10,106,812
Proceeds from Sale of Capital Assets	210,328
Proceeds from Lease Arrangements	483,872
Acquisition and Construction of Capital Assets	(17,397,230)
Principal Paid on Capital Debt and Leases	(10,736,869)
Interest and Fees Paid on Capital Debt and Leases	<u>(8,624,126)</u>
Net Cash Used by Capital Financing and Related Financing Activities	<u>(15,999,893)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	570,947
Investment Income	501,216
Purchase of Investments and Related Fees	<u>(453,710)</u>
Net Cash Provided by Investing Activities	<u>618,453</u>
Net Increase in Cash and Cash Equivalents	32,184,381
Cash and Cash Equivalents - July 1, 2021	<u>188,584,277</u>
Cash and Cash Equivalents - June 30, 2022	<u><u>\$ 220,768,658</u></u>

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2022

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (174,927,702)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	16,644,614
Lease Income (Amortized Deferred Inflows of Resources)	(466,678)
Allowances and Write-Offs	164,527
Other Nonoperating Income	170,699
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(3,815,712)
Inventories	(139,567)
Notes Receivable, Net	870,076
Prepaid Items	56,371
Net Other Postemployment Benefits Asset	275,576
Deferred Outflows Related to Pensions	(1,268,261)
Deferred Outflows Related to Other Postemployment Benefits	(14,733,381)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	381,173
Funds Held for Others	263,864
Unearned Revenue	(5,799,226)
Net Pension Liability	(29,844,600)
Net Other Postemployment Benefits Liability	38,126,910
Compensated Absences	(224,557)
Deposits Payable	(792)
Workers' Compensation Liability	(67,914)
Deferred Inflows Under Service Concession Arrangements	(2,611,378)
Deferred Inflows Related to Pensions	25,897,185
Deferred Inflows Related to Other Postemployment Benefits	(37,667,188)
Net Cash Used by Operating Activities	<u>\$ (188,715,961)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Service Concession Arrangement	\$ 61,014,033
Assets Acquired through a Gift	18,305
Change in Fair Value of Investments	5,465,303
Reinvested Distributions	120,565
Amortization of Bond Premiums	(1,012,269)
Amortization of Deferred Loss on Refunding	197,075
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(1,597,298)

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position

Fiduciary Fund - Custodial Funds

June 30, 2022

	<u>Other Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 3,207,964</u>
Total Assets	<u>3,207,964</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Restricted for:	
Affiliated Organizations	<u>3,207,964</u>
Total Net Position	<u>\$ 3,207,964</u>

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Fiduciary Fund - Custodial Funds

For the Fiscal Year Ended June 30, 2022

	<u>Other Funds</u>
ADDITIONS	
Contributions:	
Affiliated Organizations	\$ 2,272,398
Investment Activity:	
Investment Income	<u>6,937</u>
Total Additions	<u>2,279,335</u>
DEDUCTIONS	
Withdrawals and Distributions	<u>2,222,303</u>
Increase in Fiduciary Net Position	57,032
NET POSITION	
Net Position - July 1, 2021	<u>3,150,932</u>
Net Position - June 30, 2022	<u>\$ 3,207,964</u>

The accompanying notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

June 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The University of North Carolina Wilmington (University or UNCW) is a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds belonging to the University and its component units. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component units are blended in the University's financial statements. See below for further discussion of the University's component units. Other related foundations and similar nonprofit corporations for which the University is not financially accountable are not part of the accompanying financial statements.

Blended Component Units - Although legally separate, the UNCW Corporation (Corporation), the UNCW Corporation II (Corporation II), the UNCW Research Foundation (Research Foundation), and the Donald R. Watson Foundation, Inc. (Watson Foundation), component units of the University, are reported as if they were part of the University.

The Corporation was organized to enhance the University of North Carolina Wilmington's educational mission, including overseeing and assisting in the acquisition and financing of capital assets for the University. The Corporation is a public not-for-profit organization that reports its financial results under Governmental Accounting Standards Board (GASB) Statements. The Corporation is governed by a six-member board of which three are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Corporation II includes the activities of the single member entities, UNCW Corporation Real Property I, LLC (Real Property), and UNCW Corporation College Station, LLC (College Station). The Corporation II was organized to enhance the University of North Carolina Wilmington's educational mission, including constructing or managing facilities for the University. These entities acquire real property that is used solely by the University for auxiliary support, off-campus parking, or other agreed upon activities. The Corporation II is a public not-for-profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Corporation II is governed by a seven-member board of which four are delegates of the University. The remaining three positions are filled by persons external to the University's operations and business functions and are appointed by the UNCW Chancellor to serve on the board. As the Corporation II's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Research Foundation includes the activities of the single member entities, UNCW Corporation Research I, LLC, MARBIONC Development Group, LLC, The CREST Millennial Campus, LLC, the UNCW Center for Innovation and Entrepreneurship, LLC, and the UNCW Innovation Coalition Corporation. The Research Foundation was organized to enhance the University of North Carolina Wilmington's educational mission. These entities, through collaborative research relationships, pursue commercialization opportunities and the economic development of research discoveries, materials, and intellectual properties for the benefit of the University. The Research Foundation is a public not for profit organization that reports its financial results under Governmental Accounting Standard Board (GASB) Statements. The Research Foundation is governed by a four-member board, all of which are delegates of the University. As the Research Foundation's sole purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

The Watson Foundation was organized to support charitable, religious, scientific, and educational institutions located in the State of North Carolina provided that each supported organization is tax exempt and eligible to receive charitable donations. The Watson Foundation is a public not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from that of GASB. The financial statement format of the Watson Foundation was modified to make it compatible with the University's financial statement format. The Watson Foundation is governed by a five-member board of which three are appointed by the Board of Trustees, and two are appointed by the benefactor. Because a majority of the directors of the Watson Foundation are appointed by the members of the University of North Carolina Wilmington's Board of Trustees and the Watson Foundation's primary purpose is to benefit the University of North Carolina Wilmington, its financial statements have been blended with those of the University.

Separate financial statements for the Corporation, the Corporation II, the Research Foundation, and the Watson Foundation may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5918, or by calling 910-962-3139.

Condensed combining information regarding blended component units is provided in Note 20.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

Proprietary Fund - This fund accounts for the University's primary activities and is presented in a single column on the accompanying proprietary fund financial statements.

Fiduciary Fund - This fund accounts for all of the University's fiduciary activities, which are considered custodial funds. These resources are held by the University in a purely custodial capacity on behalf of affiliated organizations. Custodial funds include resources held on behalf of four separately incorporated nonprofit foundations associated with the University. See Note 19 for detailed information regarding the nature of the fiduciary activities.

- C. Basis of Accounting** - The financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis,

revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, cash on deposit with fiscal agents, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the University for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts. Land and other real estate held as investments by endowments are reported at fair value, consistent with how investments are generally reported.

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the leased asset into service.

The University capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$10,000 or greater and an estimated useful life of more than one year.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-50 years
General Infrastructure	10-50 years

Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease term or the asset's estimated useful life, unless the lease contains a purchase option the University is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset's estimated useful life.

The Randall Library Special collection is capitalized at cost or acquisition value at the date of donation. The collection is considered inexhaustible and is therefore not depreciated.

- I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.
- J. **Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

All custodial funds meeting the criteria of a fiduciary activity are reported in separate fiduciary fund financial statements.

- K. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes: revenue bonds payable, limited obligation bonds, bonds from direct placements, and notes from direct borrowings. Other long-term liabilities include: leases payable, compensated absences, net pension liability, net other postemployment benefits (OPEB) liability, and workers' compensation.

Revenue bonds payable and limited obligation bonds are reported net of unamortized premiums or discounts. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method that approximates the effective interest method. Deferred gains and losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight line method and are disaggregated as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Issuance costs are expensed in the reporting period in which they are incurred.

The net pension liability represents the University's proportionate share of the collective net pension liability reported in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*. This

liability represents the University's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the University's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*. This liability represents the University's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 15 for further information regarding the University's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- L. Compensated Absences** - The University's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- M. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.
- N. Net Position** - The University's net position is classified as follows:

Proprietary Fund

Net Investment in Capital Assets - This represents the University's total investment in capital assets, net of outstanding liabilities related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, workers' compensation, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

Fiduciary Fund

Restricted Net Position - Fiduciary net position includes resources held in a custodial capacity for other organizations that are not available for alternative use by the University.

- O. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the University and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the University has recorded a scholarship discount.
- P. Revenue and Expense Recognition** - The University classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to University departments, as well as to its customers. These institutional auxiliary operations include activities such as physical plant, copy centers, postal services, and telecommunications. In addition, the University has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to University departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - Unless specifically exempt, the University is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2022, the amount shown on the Statement of Net Position and the Statement of Fiduciary Net Position as cash and cash equivalents includes \$219,566,807 for the proprietary fund and \$3,207,964 for the fiduciary fund, which represents the University's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Cash on hand at June 30, 2022 was \$32,755. The carrying amount of the University's deposits not with the State Treasurer was \$1,169,096, and the bank balance was \$1,168,046. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2022, the University's bank balance exposed to custodial credit risk (amounts that are uninsured and uncollateralized) was \$660,241.

- B. Investments** - The University is authorized by the University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds and funds received for services rendered by health care professionals in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147 69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of the University's component unit, the Watson Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments from various donors or other sources may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*.

Interest Rate Risk: Interest rate risk is the risk the University may face should interest rate variances affect the value of investments. The University does not have a formal policy that addresses interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

Long-Term Investment Pool - This is an internal investment pool that is utilized for the investment of the endowment funds. Fund ownership is measured using the unit value method. Under this method, the pool uses a unit basis to determine each participating fund's market value and to determine the fund's earnings. The investment strategy, including the selection of investment managers, is based on the directives of the Board of Trustees of the Endowment Fund. At year-end, the pooled investments subject to interest rate risk were all held with the UNC Investment Fund, LLC.

UNC Investment Fund, LLC - At June 30, 2022, the University's investments include \$138,561,874, which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments - The following table presents investments by type and investments subject to interest rate risk at June 30, 2022, for the University's non-pooled investments.

Non-Pooled Investments				
Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Debt Mutual Funds	\$ 418,662	\$ 37,475	\$ 81,259	\$ 299,928
Money Market Mutual Funds	25,612	25,612	-	-
Total Debt Securities	444,274	\$ 63,087	\$ 81,259	\$ 299,928
Other Securities				
Equity Mutual Funds	968,525			
Total Non-Pooled Investments	\$ 1,412,799			

At June 30, 2022, the University's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$ 418,662	\$ 223,665	\$ 16,183	\$ 43,127	\$ 66,556	\$ 58,930	\$ 10,201
Money Market Mutual Funds	25,612	25,612	-	-	-	-	-
Totals	\$ 444,274	\$ 249,277	\$ 16,183	\$ 43,127	\$ 66,556	\$ 58,930	\$ 10,201

Rating Agency: Standard & Poor's

Total Investments - The following table presents the total investments at June 30, 2022:

Investment Type	Amount
Debt Securities	
Debt Mutual Funds	\$ 418,662
Money Market Mutual Fund	25,612
Other Securities	
UNC Investment Fund	138,561,874
Equity Mutual Funds	968,525
Total Investments	\$ 139,974,673

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the University's investments are recorded at fair value as of June 30, 2022. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
Level 2	Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The following table summarizes the University's proprietary and fiduciary fund investments, including deposits in the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2022:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	\$ 418,662	\$ 418,662	\$ -	\$ -
Money Market Mutual Funds	25,612	25,612	-	-
Total Debt Securities	444,274	444,274	-	-
Equity Mutual Funds	968,525	968,525	-	-
Total Investments by Fair Value Level	1,412,799	\$ 1,412,799	\$ -	\$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	222,774,771			
UNC Investment Fund	138,561,874			
Total Investments as a Position in an External Investment Pool	361,336,645			
Total Investments Measured at Fair Value	\$ 362,749,444			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

UNC Investment Fund - Ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The University's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized within the fair value hierarchy.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the University's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements.

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the University's endowment funds are based on an adopted spending policy which limits spending to 4.5% of the average market value of the endowment over three previous years. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2022, net appreciation of \$70,413,155 was available to be spent, of which \$60,692,722 was classified in net position as restricted expendable for specific purposes, including scholarships and fellowships, research, endowed professorships, departmental uses, and other uses. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 4,930,638	\$ 591,036	\$ 4,339,602
Accounts	4,003,073	-	4,003,073
Intergovernmental	1,286,142	-	1,286,142
Pledges	3,466,387	46,639	3,419,748
Interest on Loans	48,570	-	48,570
Total Current Receivables	\$ 13,734,810	\$ 637,675	\$ 13,097,135
Noncurrent Receivables:			
Pledges	\$ 539,761	\$ 53,976	\$ 485,785
Notes Receivable:			
Notes Receivable - Current:			
Federal Loan Programs	\$ 28,248	\$ -	\$ 28,248
Promissory Note	92,995	-	92,995
Institutional Student Loan Programs	99,118	-	99,118
Total Notes Receivable - Current	\$ 220,361	\$ -	\$ 220,361
Notes Receivable - Noncurrent:			
Federal Loan Programs	\$ 946,375	\$ 113,565	\$ 832,810
Promissory Note	266,933	-	266,933
Institutional Student Loan Programs	439,413	-	439,413
Total Notes Receivable - Noncurrent	\$ 1,652,721	\$ 113,565	\$ 1,539,156

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 14,848,968	\$ -	\$ -	\$ 14,848,968
Art, Literature, and Artifacts	2,173,325	18,305	-	2,191,630
Construction in Progress	25,951,648	10,834,446	19,330,264	17,455,830
Total Capital Assets, Nondepreciable	42,973,941	10,852,751	19,330,264	34,496,428
Capital Assets, Depreciable:				
Buildings	799,208,780	78,616,658	94,846	877,730,592
Machinery and Equipment	59,079,363	4,969,286	1,084,098	62,964,551
General Infrastructure	71,065,699	1,727,639	-	72,793,338
Right-to-Use Leased Buildings	1,051,615	-	-	1,051,615
Right-to-Use Leased Machinery and Equipment	897,643	-	-	897,643
Total Capital Assets, Depreciable	931,303,100	85,313,583	1,178,944	1,015,437,739
Less Accumulated Depreciation/Amortization for:				
Buildings	194,315,449	10,871,758	94,846	205,092,361
Machinery and Equipment	38,635,498	3,867,611	968,455	41,534,654
General Infrastructure	18,835,284	1,727,976	-	20,563,260
Right-to-Use Leased Buildings	-	70,187	-	70,187
Right-to-Use Leased Machinery and Equipment	-	107,082	-	107,082
Total Accumulated Depreciation/Amortization	251,786,231	16,644,614	1,063,301	267,367,544
Total Capital Assets, Depreciable, Net	679,516,869	68,668,969	115,643	748,070,195
Capital Assets, Net	\$ 722,490,810	\$ 79,521,720	\$ 19,445,907	\$ 782,566,623

At year-end, the total amount of leased assets was \$1,949,258 and the related accumulated amortization was \$177,269.

NOTE 7 - SERVICE CONCESSION ARRANGEMENT FOR STUDENT HOUSING FACILITY

The University entered an agreement on December 20, 2018, with CHF-Wilmington, LLC (CHF) to construct and operate a Student Housing Facility. The University entered into this agreement to address a shortage of student housing caused by enrollment growth yet avoid the issuance of debt. The Student Housing Facility consists of a 1,038-bed, two-building student housing facility completed in the prior fiscal year (Phase I) and a 776-bed student housing facility delivered for occupancy in the Fall of 2021 (Phase II). The project, with an estimated cost of \$130 million, is on property located on the campus of the University of North Carolina at Wilmington and leased to CHF for 50 years. Upon final payment of all indebtedness owed under the agreement, CHF will transfer all of its interest in the facility for no cost to the University. The University reports the project as a capital asset and a related deferred inflow of resources. The University also reports the residence hall as a capital asset with a carrying amount of \$129,059,612 at year-end and a related deferred inflow of resources of \$126,415,295. The net effect of this arrangement is reflected in the Statement of Net Position as an increase to net investment in capital assets of \$2,644,317.

The student housing facility is managed by the University under the terms of the management agreement. The University operates the facility with budgetary oversight from CHF.

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities	
Accounts Payable	\$ 2,051,503
Accounts Payable - Capital Assets	655,098
Accrued Payroll	743,000
Contract Retainage	217,664
Intergovernmental Payables	564,510
	<hr/>
Total Current Accounts Payable and Accrued Liabilities	\$ 4,231,775

NOTE 9 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion
Long-Term Debt					
Revenue Bonds Payable	\$ 70,600,000	\$ 8,420,000	\$ 2,945,000	\$ 76,075,000	\$ 2,305,000
Limited Obligation Bonds	106,365,000	-	4,410,000	101,955,000	4,905,000
Bonds from Direct Placements	22,806,000	-	2,308,000	20,498,000	3,013,000
Plus: Unamortized Premium	17,285,320	1,537,320	1,012,269	17,810,371	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net	217,056,320	9,957,320	10,675,269	216,338,371	10,223,000
Notes from Direct Borrowings	9,528,413	-	789,969	8,738,444	736,048
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Long-Term Debt	226,584,733	9,957,320	11,465,238	225,076,815	10,959,048
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Long-Term Liabilities					
Leases Payable	1,949,258	-	282,001	1,667,257	278,737
Employee Benefits					
Compensated Absences	12,835,356	8,623,203	8,847,760	12,610,799	640,240
Net Pension Liability	50,369,845	-	29,844,600	20,525,245	-
Net Other Postemployment Benefits Liability	227,540,712	36,529,612	-	264,070,324	-
Workers' Compensation	755,613	235,489	303,403	687,699	302,588
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Long-Term Liabilities	293,450,784	45,388,304	39,277,764	299,561,324	1,221,565
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Long-Term Liabilities, Net	\$ 520,035,517	\$ 55,345,624	\$ 50,743,002	\$ 524,638,139	\$ 12,180,613

Additional information regarding leases payable is included in Note 10.

Additional information regarding the net pension liability is included in Note 14.

Additional information regarding the net other postemployment benefits liability is included in Note 15.

Additional information regarding workers' compensation is included in Note 16.

B. Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements - The University was indebted for revenue bonds payable, limited obligation bonds, and bonds from direct placements for the purposes shown in the following table:

Purpose	Series	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022
Revenue Bonds Payable					
UNCW General Revenue Bonds					
Parking Deck	2019	3.0% - 5.0%	04/01/2049	\$ 21,350,000	\$ 21,350,000
Refund 2010 and 2010D; Dining Facility (2019B)	2019B	2.25% - 5.0%	10/01/2049	41,395,000	40,715,000
Refund 2010C	2020A	5.0%	10/01/2026	11,180,000	5,590,000
Recreational Fields and Facilities	2021	4.0%	10/01/2050	8,420,000	8,420,000
Total UNCW General Revenue Bonds				82,345,000	76,075,000
Limited Obligation Bonds					
Student Housing-Seahawk Village & Seahawk Landing	2015	3.0% - 5.0%	06/01/2037	59,550,000	48,980,000
Student Housing-Seahawk Crossing & Parking Deck	2016	2.0% - 5.0%	06/01/2038	57,235,000	52,975,000
Total Limited Obligation Bonds				116,785,000	101,955,000
Bonds from Direct Placements					
Refund 2006A	2016	2.17%	10/01/2033	11,484,000	6,872,000
Refund 2011 and 2012	2020B	1.83%	01/01/2028	15,868,000	13,626,000
Total Bonds from Direct Placements				27,352,000	20,498,000
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements (principal only)				\$ 226,482,000	198,528,000
Plus: Unamortized Premium					17,810,371
Total Revenue Bonds Payable, Limited Obligation Bonds, and Bonds from Direct Placements, Net					\$ 216,338,371

C. Notes from Direct Borrowings - The University was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2022
College Station	Truist Bank	Variable	11/05/2022	\$ 1,394,730	\$ 64,768
Energy Conservation Loan	Truist Bank	1.99%	03/01/2030	4,542,387	2,904,536
Energy Conservation Loan	The Huntington National Bank	3.42%	06/30/2033	6,846,011	5,012,049
Truist Hall	Truist Bank	2.99%	06/10/2029	1,014,649	757,091
Total Notes from Direct Borrowings				\$ 13,797,777	\$ 8,738,444

The University plans to refinance the notes maturing on June 10, 2029 with other long-term financing.

D. Annual Requirements - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2022, are as follows:

Annual Requirements								
Fiscal Year	Revenue Bonds Payable		Limited Obligation Bonds		Bonds from Direct Placements		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest*
2023	\$ 2,305,000	\$ 3,039,662	\$ 4,905,000	\$ 4,196,775	\$ 3,013,000	\$ 402,530	\$ 736,048	\$ 247,677
2024	1,530,000	2,943,787	5,075,000	4,025,625	3,075,000	344,237	714,051	227,947
2025	1,680,000	2,863,912	5,320,000	3,771,875	3,131,000	284,747	752,104	207,472
2026	1,765,000	2,778,538	5,565,000	3,532,225	3,176,000	224,115	799,266	186,041
2027	1,860,000	2,688,688	5,790,000	3,308,875	2,489,000	162,651	841,523	163,475
2028-2032	12,815,000	11,742,838	32,775,000	12,691,000	4,483,000	321,086	4,415,233	406,701
2033-2037	16,045,000	8,479,556	38,265,000	5,243,025	1,131,000	26,550	480,219	11,798
2038-2042	17,875,000	4,926,975	4,260,000	127,800	-	-	-	-
2043-2047	12,915,000	2,510,100	-	-	-	-	-	-
2048-2051	7,285,000	415,650	-	-	-	-	-	-
Total Requirements	\$ 76,075,000	\$ 42,389,706	\$ 101,955,000	\$ 36,897,200	\$ 20,498,000	\$ 1,765,916	\$ 8,738,444	\$ 1,451,111

*Interest on the variable rate College Station note from direct borrowings is calculated based on LIBOR plus 2.05% at 3.84% at June 30, 2022.

E. Terms of Debt Agreements - The University's debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

The outstanding **Revenue Bonds Payable** of \$76,075,000 and **Bonds from Direct Placements** of \$20,498,000 (together, "General Revenue Bonds") contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The outstanding **Limited Obligation Bonds** (LOBs) of \$101,955,000 are obligations of the UNCW Corporation secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the LOBs. The LOBs are further secured by a deed of trust on the property financed and refinanced with the LOBs. The outstanding LOBs contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

Notes from Direct Borrowings - The University has pledged the energy savings improvements installed in its buildings and other structures as collateral for UNC System Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowing of \$7,916,585. These agreements also contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days.

Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys' fees incurred.

UNCW has one outstanding note from direct borrowing of \$64,768 dated October 21, 2011, which is an obligation of UNCW Corporation College Station, LLC. It contains provisions that in the event of default, the lender may take any or all of the following actions: (1) declare all balances due immediately; (2) require additional pledged collateral; (3) take possession and foreclose upon the collateral; (4) exercise all rights and remedies available under the agreement or under applicable law; and (5) cease any obligation to advance funds.

UNCW has one outstanding note from direct borrowing of \$757,091 dated July 3, 2019, which is an obligation of UNCW Corporation Real Property I, LLC. It contains provisions that in the event of default, the lender may take any or all of the following actions: (1) declare all balances due immediately; (2) require additional pledged collateral; (3) take possession and foreclose upon the collateral; (4) exercise all rights and remedies available under the agreement or under applicable law; and (5) cease any obligation to advance funds.

NOTE 10 - LEASES

The University's leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms ⁽¹⁾	Interest Rate Ranges
Lessor:					
Land	1	\$ 225,950	\$ 22,868	9 years	1.5%
Buildings	6	316,600	163,691	1 - 5 years	0.3% - 1.1%
General Infrastructure	5	519,869	182,644	4 - 5 years	0.9% - 1.1%
Total	12	\$ 1,062,419	\$ 369,203		
Lessee:					
Right-to-Use Buildings	3	\$ (949,163)	\$ (100,428)	2 - 25 years	0.5% - 2.5%
Right-to-Use Machinery and Equipment	4	(718,094)	(178,309)	2 - 8 years	0.5% - 1.8%
Total	7	\$ (1,667,257)	\$ (278,737)		

(1) The lease terms were calculated using weighted averages based on lease receivable (payable) amounts.

- A. Lease Receivable** - Revenue recognized from leases during fiscal year 2022 totaled \$473,599 including \$6,921 of interest income. During the year the University did not recognize any variable payment amounts.
- B. Lease Liability** - Measurement of the lease liability excluded the following variable payment amounts: payments based on future performance or usage of the underlying assets. During the fiscal year, the University recognized expenses of \$18,340 for these changes in variable payments not previously included in the measurement of the lease liability.

Future principal and interest lease payments as of June 30, 2022 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 278,737	\$ 32,740	\$ 311,477
2024	245,986	28,301	274,287
2025	146,210	24,565	170,775
2026	79,875	22,621	102,496
2027	85,009	20,987	105,996
2028-2032	273,356	81,636	354,992
2033-2037	171,115	58,884	229,999
2038-2042	193,690	36,310	230,000
2043-2047	<u>193,279</u>	<u>10,924</u>	<u>204,203</u>
Total	<u>\$ 1,667,257</u>	<u>\$ 316,968</u>	<u>\$ 1,984,225</u>

NOTE 11 - NET POSITION

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (22,889,157)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(271,988,176)</u>
Effect on Unrestricted Net Position	(294,877,333)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>143,665,603</u>
Total Unrestricted Net Position	<u>\$ (151,211,730)</u>

See Notes 14 and 15 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Net investment in capital assets has been significantly affected by a transaction that resulted in the acquisition of capital assets and the recognition of deferred inflows of resources as shown in the following table:

	<u>Amount</u>
Carrying Value of Capital Assets Acquired Under Service Concession Arrangement	\$ 129,059,612
Deferred Inflows Under Service Concession Arrangement	<u>(126,415,295)</u>
Net Effect on Net Investment in Capital Assets	2,644,317
Total Net Investment in Capital Assets Before Recognition of Service Concession Arrangement	<u>435,893,241</u>
Total Net Investment in Capital Assets	<u>\$ 438,537,558</u>

See Note 7 for detailed information regarding the amortization of the deferred inflows of resources under the service concession arrangement.

NOTE 12 - REVENUES

A summary of discounts and allowances by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 148,984,879</u>	<u>\$ 22,891,438</u>	<u>\$ 353,010</u>	<u>\$ 125,740,431</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Residential Life	\$ 23,218,103	\$ 2,752,628	\$ 24,314	\$ 20,441,161
Dining	18,128,797	2,182,396	20,358	15,926,043
Parking	3,963,666	-	6,436	3,957,230
Recreation Services	2,616,537	-	21,161	2,595,376
Printing and Duplicating	83,868	-	-	83,868
Bookstore	630,550	-	-	630,550
Postal Services	151,856	-	425	151,431
Other	1,322,375	-	29,288	1,293,087
Sales and Services of Education and Related Activities	<u>3,064,902</u>	<u>-</u>	<u>5,902</u>	<u>3,059,000</u>
Total Sales and Services, Net	<u>\$ 53,180,654</u>	<u>\$ 4,935,024</u>	<u>\$ 107,884</u>	<u>\$ 48,137,746</u>
Nonoperating Revenues:				
Noncapital Contributions, Net	<u>\$ 2,923,881</u>	<u>\$ -</u>	<u>\$ 8,769</u>	<u>\$ 2,915,112</u>

NOTE 13 - OPERATING EXPENSES BY FUNCTION

The University's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 123,165,411	\$ 20,821,859	\$ 711,322	\$ 102,263	\$ -	\$ 144,800,855
Research	7,185,591	4,045,067	297,499	242	-	11,528,399
Public Service	3,031,578	1,985,421	125,997	-	-	5,142,996
Academic Support	22,539,256	12,109,354	24,231	1,068	-	34,673,909
Student Services	12,176,128	3,577,840	205,910	746	-	15,960,624
Institutional Support	24,070,783	7,996,109	222,171	1,309	-	32,290,372
Operations and Maintenance of Plant	16,924,281	9,480,449	-	5,977,396	-	32,382,126
Student Financial Aid	-	-	28,300,463	-	-	28,300,463
Auxiliary Enterprises	13,088,917	31,191,390	1,260,117	2,698,829	-	48,239,253
Depreciation/Amortization	-	-	-	-	16,644,614	16,644,614
Total Operating Expenses	<u>\$ 222,181,945</u>	<u>\$ 91,207,489</u>	<u>\$ 31,147,710</u>	<u>\$ 8,781,853</u>	<u>\$ 16,644,614</u>	<u>\$ 369,963,611</u>

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of \$6,954,643 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the University in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 12.

NOTE 14 - PENSION PLANS

A. Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The University's contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. Plan members' contributions to the pension plan were \$4,496,860, and the University's contributions were \$12,276,429 for the year ended June 30, 2022.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal

requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, the Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2022, the University reported a liability of \$20,525,245 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The University's proportion of the net pension liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.43833%, which was an increase of 0.02143 from its proportion measured as of June 30, 2020, which was 0.41690%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2020
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%
* Salary increases include 3.25% inflation and productivity	
** Investment rate of return includes inflation assumption of pension plan investment expense.	

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2021 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 68,849,405	\$ 20,525,245	\$ (19,644,245)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the University recognized pension expense of \$7,076,309. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 1,189,683	\$ 466,151
Changes of Assumptions	7,699,240	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	25,431,034
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,367,921	-
Contributions Subsequent to the Measurement Date	12,276,429	-
Total	\$ 23,533,273	\$ 25,897,185

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be

Year Ending June 30:	Amount
2023	\$ (1,342,087)
2024	(2,465,215)
2025	(3,069,377)
2026	(7,763,662)
Total	\$ (14,640,341)

- B. Defined Contribution Plan** - The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Faculty and staff of the University may join the ORP instead of TSERS. The ORP is administered by the UNC System.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the University's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the University contributes 6.84%. For the current fiscal year, the University had a total payroll of \$188,617,438, of which \$86,795,769 was covered under ORP. Total employee and employer contributions for pension benefits for the year were \$5,207,746 and \$5,936,831, respectively. The amount of expense recognized in the current year related to ORP is equal to the employer contributions less forfeitures of \$442,823 recognized during the period.

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

The University participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report*.

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years

of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The University's contractually-required contribution rate for the year ended June 30, 2022 was 6.29% of covered payroll. The University's contributions to the RHBF were \$10,173,662 for the year ended June 30, 2022.

In fiscal year 2021, the State Health Plan (the Plan) transferred \$187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2022, the University recognized noncapital contributions for RHBF of \$1,597,298.

2. Disability Income

Plan Administration: As discussed in Note 16, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the

further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The University's contractually-required contribution rate for the year ended June 30, 2022 was 0.09% of covered payroll. The University's contributions to DIPNC were \$145,569 for the year ended June 30, 2022.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2022, the University reported a liability of \$264,070,324 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.85417%, which was an increase of 0.03393 from its proportion measured as of June 30, 2020, which was 0.82024%.

Net OPEB Asset: At June 30, 2022, the University reported an asset of \$140,374 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The University's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the University relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the University's proportion was 0.85940%, which was an increase of 0.01387 from its proportion measured as of June 30, 2020, which was 0.84553%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2021 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2020	12/31/2020
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.00%
Healthcare Cost Trend Rate - Medical	6% grading down to 5% by 2026	6% grading down to 5% by 2026
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2030	9.5% grading down to 5% by 2030
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%
* Salary increases include 3.25% inflation and productivity factor.		
** Investment rate of return is net of OPEB plan investment expense, including inflation.		
N/A - Not Applicable		

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2021 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2021 is 1.3%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2020 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current

statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the University's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability (Asset)			
	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
RHBF	\$ 314,109,478	\$ 264,070,324	\$ 223,546,770
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	\$ (88,630)	\$ (140,374)	\$ (188,243)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 213,853,563	\$ 264,070,324	\$ 330,690,737
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (147,748)	\$ (140,374)	\$ (131,187)

OPEB Expense: For the fiscal year ended June 30, 2022, the University recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ (3,971,290)
DIPNC	<u>300,811</u>
Total OPEB Expense	<u>\$ (3,670,479)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Employer Balances of Deferred Outflows of Resources
Related to OPEB by Classification:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 1,559,033	\$ 357,914	\$ 1,916,947
Changes of Assumptions	21,598,679	24,648	21,623,327
Net Difference Between Projected and Actual Earnings on Plan Investments	-	13,699	13,699
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	33,576,519	-	33,576,519
Contributions Subsequent to the Measurement Date	<u>10,173,662</u>	<u>145,569</u>	<u>10,319,231</u>
Total	<u>\$ 66,907,893</u>	<u>\$ 541,830</u>	<u>\$ 67,449,723</u>

**Employer Balances of Deferred Inflows of Resources
Related to OPEB by Classification:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 4,915,578	\$ -	\$ 4,915,578
Changes of Assumptions	64,174,828	50,962	64,225,790
Net Difference Between Projected and Actual Earnings on Plan Investments	135,083	-	135,083
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>5,600,256</u>	<u>61,240</u>	<u>5,661,496</u>
Total	<u>\$ 74,825,745</u>	<u>\$ 112,202</u>	<u>\$ 74,937,947</u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

**Schedule of the Net Amount of the Employer's Balances of
Deferred Outflows of Resources and Deferred Inflows of
Resources That will be Recognized in OPEB Expense:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2023	\$ (25,439,175)	\$ 83,992
2024	(423,917)	54,756
2025	5,251,190	73,373
2026	(2,675,078)	31,985
2027	5,195,466	7,251
Thereafter	-	32,702
Total	<u>\$ (18,091,514)</u>	<u>\$ 284,059</u>

NOTE 16 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plans

1. State Health Plan

University employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 15, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to University employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee

Benefit Trust Funds. Short-term benefits are paid by the University for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 15, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

The University is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the University. Losses covered by the Fund are subject to a \$25,000 per occurrence deductible.

All state-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The University pays premiums to the North Carolina Department of Insurance for the coverage.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The University pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

Additional details on the state-administered risk management programs are disclosed in the *State's Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the University

The University purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Policies include cyber, boiler and machinery, crime, oceanographic equipment, watercraft and watercraft pollution coverage, and professional liability.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,032,187 and on other purchases were \$8,784,397 at June 30, 2022.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.
- C. Other Contingent Receivables** - The University has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:

Purpose	Amount
Endowment Pledges	\$ 3,085,847

NOTE 18 - HURRICANE FLORENCE

In September 2018, Hurricane Florence impacted areas of the southeastern United States, including Wilmington, NC, and specifically UNCW's campus. The hurricane caused significant damage to our facilities, infrastructure, and grounds. Dobo Hall, a science classroom and laboratory facility on the campus of UNCW, was closed and did not reopen until August 2020. The University Apartments, used for student housing, were condemned and demolished. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, impairment gains and losses, related to Dobo Hall and the University Apartments, respectively, were recognized during the fiscal year ended June 30, 2019.

During the fiscal year ended June 30, 2022, the University reported disaster costs of \$1,168,586 and insurance recoveries of \$2,099,328 associated with Hurricane Florence as nonoperating expenses and revenues in the Statement of Revenues, Expenses and Changes in Net Position.

The following table presents the components of total disaster costs and insurance recoveries referenced in the previous paragraphs as well as additional revenue sources related to Hurricane Florence:

Capital Asset Impairments					
	2022	2021	2020	2019	Total
Building Impairment - University Apartments	\$ -	\$ -	\$ -	\$ (984,788)	\$ (984,788)
Building Impairment - Dobo Hall	-	-	-	(10,663,140)	(10,663,140)
Insurance Recoveries - University Apartments	-	-	-	763,557	763,557
Insurance Recoveries - Dobo Hall	-	-	-	32,851,242	32,851,242
Net Gain Related to Capital Asset Impairments	\$ -	\$ -	\$ -	\$ 21,966,871	\$ 21,966,871
Other Hurricane Losses					
	2022	2021	2020	2019	Total
Restoration of Buildings and Grounds	\$ (1,168,586)	\$ (2,674,066)	\$ (20,894,074)	\$ (52,431,186)	\$ (77,167,912)
Equipment Replacements	-	(707,056)	(1,164,205)	(3,475,499)	(5,346,760)
Other Incremental Disaster-Related Operating Costs	-	(2,973)	(159,800)	(1,771,926)	(1,934,699)
Total Disaster Costs	(1,168,586)	(3,384,095)	(22,218,079)	(57,678,611)	(84,449,371)
Hurricane Florence Insurance Recoveries	2,099,328	-	7,879,333	31,226,266	41,204,927
Net Gain (Loss) Related to Other Hurricane Losses	930,742	(3,384,095)	(14,338,746)	(26,452,345)	(43,244,444)
Total Net Gain (Loss) before Additional Revenue Sources	\$ 930,742	\$ (3,384,095)	\$ (14,338,746)	\$ (4,485,474)	\$ (21,277,573)
Additional Revenue Sources					
	2022	2021	2020	2019	Total
Capital Contributions (Hurricane Florence Disaster Relief)	\$ -	\$ -	\$ 8,000,000	\$ 27,215,501	\$ 35,215,501
Noncapital Contributions (FEMA)	\$ 66,160	\$ -	\$ 1,444,598	\$ 453,608	\$ 1,964,366
Capital Expenditures (included in Buildings)					
	2022	2021	2020	2019	Total
Dobo Hall Restoration	\$ (636,320)	\$ (3,689,777)	\$ (43,424,151)	\$ (3,913,733)	\$ (51,663,981)

Financial activity related to Hurricane Florence will continue in future fiscal years. The University maintains “all-risk” insurance through the North Carolina Department of Insurance, and reimbursements are generally provided after costs are incurred. In addition, UNCW qualifies for assistance through FEMA. As a result of the insurance coverage and FEMA eligibility, UNCW anticipates reimbursements for substantially all incurred Hurricane Florence related costs.

NOTE 19 - RELATED PARTIES

Foundations - There are four separately incorporated nonprofit foundations associated with the University. These foundations are the UNCW Student Aid Association, Inc. (Student Aid), the Foundation of the University of North Carolina at Wilmington, Inc. (Foundation), the Alumni Association of the University of North Carolina at Wilmington (Alumni), and the Friends of the University of North Carolina at Wilmington, Inc. (Friends). The University maintains a cash balance for each of the four foundations. This fiduciary relationship meets certain criteria of GASB Statement No. 84 and the cash balances and related activities are reported as custodial funds in the fiduciary fund financial statements.

Student Aid fosters and promotes the education of student athletes by obtaining donations for the scholarship program at the University. The association also raises funds for the improvement and construction of physical facilities used by the University for athletic purposes, for the University’s athletic scholarship fund, and to provide operational and supplementary support for the entire sports program. In addition, the association exists to encourage a fraternal spirit of loyalty and interest in the University by

alumni, friends, and benefactors. Direct support from Student Aid totaled \$1,217,182 for the year ended June 30, 2022. The University maintains a cash balance for Student Aid which was \$2,438,881 as of June 30, 2022.

The Foundation assists the University by soliciting and receiving private gifts from individuals, corporations, and other organizations. These gifts support the University by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds for academic programs. In addition, the Foundation can accept and liquidate non-cash gifts for the University and acquire property on the University's behalf. The Foundation's direct support to the University totaled \$130,396 for the year ended June 30, 2022. The University maintains a cash balance for the Foundation which was \$378,347 as of June 30, 2022.

Alumni serves to connect and involve alumni, students, and friends in the promotion and advancement of the University. Occasionally donations are made from this association to the University. This support totaled \$856 for the year ended June 30, 2022. The University maintains a cash balance for the Alumni which was \$373,520 as of June 30, 2022.

Friends contributes gifts to the University based on grant requests and may at a donor's request, contribute to a University academic scholarship fund. This support totaled \$9,508 for the year ended June 30, 2022. The University maintains a cash balance for Friends which was \$17,216 as of June 30, 2022.

All of these foundations are self-sustaining; however, the University does support their operations through donated administrative services. The University's proprietary fund financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. Separate financial statements for these foundations may be obtained from the Office of Associated Entities, 601 S. College Road, Wilmington, NC 28403-5952, or by calling (910) 962-3139.

NOTE 20 - BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units for the year ended June 30, 2022, is presented as follows:

*Condensed Statement of Net Position
Proprietary Fund
June 30, 2022*

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
ASSETS							
Current Assets	\$ 217,849,068	\$ 4	\$ 910,241	\$ -	\$ 506,461	\$ (910,241)	\$ 218,355,533
Capital Assets, Net	780,637,569	-	-	1,929,054	9,833	(9,833)	782,566,623
Other Noncurrent Assets	181,005,788	1,412,799	-	-	-	-	182,418,587
Component Unit Receivable from Primary Government	-	-	110,452,216	756,147	-	(111,208,363)	-
Total Assets	1,179,492,425	1,412,803	111,362,457	2,685,201	516,294	(112,128,437)	1,183,340,743
TOTAL DEFERRED OUTFLOWS OF RESOURCES	96,726,873	-	5,090,064	-	-	(5,090,064)	96,726,873
LIABILITIES							
Current Liabilities	26,409,724	-	6,157,369	367,916	6,011	(910,241)	32,030,779
Long-Term Liabilities, Net	406,518,884	-	105,205,088	733,554	-	-	512,457,526
Other Noncurrent Liabilities	3,357,629	-	-	-	-	-	3,357,629
Primary Government Payable to Component Unit	111,208,363	-	-	-	-	(111,208,363)	-
Total Liabilities	547,494,600	-	111,362,457	1,101,470	6,011	(112,118,604)	547,845,934
TOTAL DEFERRED INFLOWS OF RESOURCES	229,350,198	-	5,090,064	-	-	(5,090,064)	229,350,198
NET POSITION							
Net Investment in Capital Assets	436,674,216	-	-	1,863,342	-	-	438,537,558
Restricted - Nonexpendable	78,402,769	999,796	-	-	-	-	79,402,565
Restricted - Expendable	135,603,533	413,007	-	-	126,551	-	136,143,091
Unrestricted	(151,306,018)	-	-	(279,611)	383,732	(9,833)	(151,211,730)
Total Net Position	\$ 499,374,500	\$ 1,412,803	\$ -	\$ 1,583,731	\$ 510,283	\$ (9,833)	\$ 502,871,484

* The elimination net position amount of \$9,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Fiscal Year Ended June 30, 2022

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Eliminations*	Total
OPERATING REVENUES							
Student Tuition and Fees, Net	\$ 125,740,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,740,431
Federal Grants and Contracts	8,213,704	-	-	-	-	-	8,213,704
State and Local Grants and Contracts	3,769,883	-	-	-	-	-	3,769,883
Nongovernmental Grants and Contracts	2,760,489	-	-	-	-	-	2,760,489
Sales and Services, Net	47,848,964	-	4,700,287	26,624	273,973	(4,712,102)	48,137,746
Lease Income	466,678	-	-	-	-	-	466,678
Other Operating Revenues	5,869,208	2,730	18,641	193,409	347,351	(484,361)	5,946,978
Total Operating Revenues	194,669,357	2,730	4,718,928	220,033	621,324	(5,196,463)	195,035,909
OPERATING EXPENSES							
Operating Expenses	353,177,136	89,765	18,641	57,444	553,953	(577,942)	353,318,997
Depreciation/Amortization	16,644,614	-	-	-	-	-	16,644,614
Total Operating Expenses	369,821,750	89,765	18,641	57,444	553,953	(577,942)	369,963,611
Operating Income (Loss)	(175,152,393)	(87,035)	4,700,287	162,589	67,371	(4,618,521)	(174,927,702)
NONOPERATING REVENUES (EXPENSES)							
State Appropriations	181,222,251	-	-	-	-	-	181,222,251
State Aid - Coronavirus	3,209,461	-	-	-	-	-	3,209,461
Student Financial Aid	26,396,375	-	-	-	-	-	26,396,375
Federal Aid - COVID-19	13,678,372	-	-	-	-	-	13,678,372
Noncapital Contributions, Net	2,914,587	-	-	-	525	-	2,915,112
Investment Income, Net	6,319,358	(273,073)	-	-	-	(79,766)	5,966,519
Interest & Fees on Debt	(7,597,526)	-	(4,700,287)	(26,624)	-	4,700,287	(7,624,150)
Hurricane Florence Disaster Costs	(1,168,586)	-	-	-	-	-	(1,168,586)
Hurricane Florence Insurance Recoveries	2,099,328	-	-	-	-	-	2,099,328
Interest Earned on Leases	6,921	-	-	-	-	-	6,921
Other Nonoperating Revenues	279,391	-	-	-	-	-	279,391
Net Nonoperating Revenues (Expenses)	227,359,932	(273,073)	(4,700,287)	(26,624)	525	4,620,521	226,980,994
Capital Contributions	10,125,117	-	-	-	-	-	10,125,117
Additions to Endowments	3,299,052	-	-	-	-	-	3,299,052
Total Other Revenues	13,424,169	-	-	-	-	-	13,424,169
Increase (Decrease) in Net Position	65,631,708	(360,108)	-	135,965	67,896	2,000	65,477,461
NET POSITION							
Net Position, July 1, 2021 (as Restated)	433,742,792	1,772,911	-	1,447,766	442,387	(11,833)	437,394,023
Net Position, June 30, 2022	\$ 499,374,500	\$ 1,412,803	\$ -	\$ 1,583,731	\$ 510,283	\$ (9,833)	\$ 502,871,484

* The elimination net position amount of \$9,833 is a result of the Research Foundation having a lower capitalization threshold than the University.

Condensed Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2022

	University	Donald R. Watson Foundation, Inc.	UNCW Corporation	UNCW Corporation II	UNCW Research Foundation	Total
Net Cash Provided (Used) by Operating Activities	\$ (197,746,518)	\$ 6,567	\$ 8,803,626	\$ 202,289	\$ 18,075	\$ (188,715,961)
Net Cash Provided by Noncapital Financing Activities	236,281,782	-	-	-	-	236,281,782
Net Cash Used by Capital Financing and Related Financing Activities	(6,993,978)	-	(8,803,626)	(202,289)	-	(15,999,893)
Net Cash Provided by Investing Activities	618,453	-	-	-	-	618,453
Net Increase in Cash and Cash Equivalents	32,159,739	6,567	-	-	18,075	32,184,381
Cash and Cash Equivalents, July 1, 2021	188,212,591	(6,563)	-	-	378,249	188,584,277
Cash and Cash Equivalents, June 30, 2022	\$ 220,372,330	\$ 4	\$ -	\$ -	\$ 396,324	\$ 220,768,658

NOTE 21 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2022, the University implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, Leases

GASB Statement No. 93, Replacement of Interbank Offered Rates

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 99, Omnibus 2022

GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 93 addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) for derivative instruments, leases, and other agreements in which variable payments made or received depend on an IBOR.

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

NOTE 22 - NET POSITION RESTATEMENT

As of July 1, 2021, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2021 Net Position as Previously Reported	\$ 437,395,922
Restatement:	
Record the University's Lease Assets, Liabilities, and Deferred Inflows of Resources Pursuant to GASB 87 Requirements	<u>(1,899)</u>
July 1, 2021 Net Position as Restated	<u><u>\$ 437,394,023</u></u>

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Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan Last Nine Fiscal Years*

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.43833%	0.41690%	0.42137%	0.38917%	0.37310%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 20,525,245	\$ 50,369,845	\$ 43,683,247	\$ 38,746,112	\$ 29,603,399
Covered Payroll	\$ 71,602,114	\$ 68,928,811	\$ 68,173,782	\$ 62,252,744	\$ 57,507,190
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	28.67%	73.08%	64.08%	62.24%	51.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.86%	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014	
Proportionate Share Percentage of Collective Net Pension Liability	0.35978%	0.35723%	0.36424%	0.38300%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 33,067,499	\$ 13,164,633	\$ 4,270,426	\$ 23,252,003	
Covered Payroll	\$ 53,596,237	\$ 53,297,118	\$ 52,894,845	\$ 55,820,098	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.70%	24.70%	8.07%	41.66%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%	

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

Required Supplementary Information

Required Supplementary Information **Schedule of University Contributions** **Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan** **Last Ten Fiscal Years**

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 12,276,429	\$ 10,582,792	\$ 8,940,067	\$ 8,378,558	\$ 6,710,846
Contributions in Relation to the Contractually Determined Contribution	<u>12,276,429</u>	<u>10,582,792</u>	<u>8,940,067</u>	<u>8,378,558</u>	<u>6,710,846</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 74,947,672	\$ 71,602,114	\$ 68,928,811	\$ 68,173,782	\$ 62,252,744
Contributions as a Percentage of Covered Payroll	16.38%	14.78%	12.97%	12.29%	10.78%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 5,739,218	\$ 4,904,056	\$ 4,876,686	\$ 4,596,562	\$ 4,649,814
Contributions in Relation to the Contractually Determined Contribution	<u>5,739,218</u>	<u>4,904,056</u>	<u>4,876,686</u>	<u>4,596,562</u>	<u>4,649,814</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 57,507,190	\$ 53,596,237	\$ 53,297,118	\$ 52,894,845	\$ 55,820,098
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

Notes to Required Supplementary Information

Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan For the Fiscal Year Ended June 30, 2022

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA's) in the period of the legislative session of Board of Trustees meeting when it was passed. The COLA is effective July 1 of that period and the fiscal year end liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 14 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

Required Supplementary Information

Schedule of the Proportionate Share of the Net OPEB Liability or Asset Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Six Fiscal Years*

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net OPEB Liability	0.85417%	0.82024%	0.82035%	0.74397%	0.70267%
Proportionate Share of Collective Net OPEB Liability	\$ 264,070,324	\$ 227,540,712	\$ 259,553,742	\$ 211,944,551	\$ 230,381,927
Covered Payroll	\$ 153,900,045	\$ 148,430,764	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	171.59%	153.30%	177.81%	156.35%	184.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%
	2017				
Proportionate Share Percentage of Collective Net OPEB Liability	0.77946%				
Proportionate Share of Collective Net OPEB Liability	\$ 339,091,594				
Covered Payroll	\$ 118,788,130				
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	285.46%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%				

Required Supplementary Information

Schedule of the Proportionate Share of the Net OPEB Liability or Asset Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Six Fiscal Years*

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net OPEB Asset	0.85940%	0.84553%	0.83465%	0.78348%	0.76875%
Proportionate Share of Collective Net OPEB Asset	\$ 140,374	\$ 415,950	\$ 360,151	\$ 237,990	\$ 469,860
Covered Payroll	\$ 153,900,045	\$ 148,430,764	\$ 145,968,903	\$ 135,553,502	\$ 124,750,663
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.09%	0.28%	0.25%	0.18%	0.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%
	2017				
Proportionate Share Percentage of Collective Net OPEB Asset	0.72922%				
Proportionate Share of Collective Net OPEB Asset	\$ 452,846				
Covered Payroll	\$ 118,788,130				
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.38%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.06%				

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Required Supplementary Information

Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Ten Fiscal Years

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 10,173,662	\$ 10,280,523	\$ 9,603,470	\$ 9,152,250	\$ 8,200,987
Contributions in Relation to the Contractually Determined Contribution	<u>10,173,662</u>	<u>10,280,523</u>	<u>9,603,470</u>	<u>9,152,250</u>	<u>8,200,987</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764	\$ 145,968,903	\$ 135,553,502
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%	6.05%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 7,252,952	\$ 6,652,135	\$ 6,275,091	\$ 5,947,985	\$ 5,809,294
Contributions in Relation to the Contractually Determined Contribution	<u>7,252,952</u>	<u>6,652,135</u>	<u>6,275,091</u>	<u>5,947,985</u>	<u>5,809,294</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 124,750,663	\$ 118,788,130	\$ 114,300,390	\$ 110,147,863	\$ 109,609,322
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

Required Supplementary Information

Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans Last Ten Fiscal Years

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 145,569	\$ 138,510	\$ 148,431	\$ 204,356	\$ 189,775
Contributions in Relation to the Contractually Determined Contribution	<u>145,569</u>	<u>138,510</u>	<u>148,431</u>	<u>204,356</u>	<u>189,775</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 161,743,441	\$ 153,900,045	\$ 148,430,764	\$ 145,968,903	\$ 135,553,502
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 474,053	\$ 487,031	\$ 468,632	\$ 484,651	\$ 482,281
Contributions in Relation to the Contractually Determined Contribution	<u>474,053</u>	<u>487,031</u>	<u>468,632</u>	<u>484,651</u>	<u>482,281</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 124,750,663	\$ 118,788,130	\$ 114,300,390	\$ 110,147,863	\$ 109,609,322
Contributions as a Percentage of Covered Payroll	0.38%	0.41%	0.41%	0.44%	0.44%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

Notes to Required Supplementary Information

Schedule of University Contributions Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans For the Fiscal Year Ended June 30, 2022

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of University Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 15 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2021 Annual Comprehensive Financial Report.

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June 30, 2022

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Interim Associate Provost for Undergraduate Education and Faculty Affairs

Van O. Dempsey
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Other Information

Statement of Net Position

Proprietary Fund

For Year Ended June 30

	2018 (Restated)	2019 (Restated)	2020* (Restated)	2021* (Restated)	2022*
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 134,070,390	\$ 130,510,682	\$ 113,379,305	\$ 125,123,887	\$ 149,745,175
Restricted Cash and Cash Equivalents	23,221,682	41,316,589	37,274,783	38,075,807	31,438,100
Receivables, Net	6,224,830	8,877,278	10,371,191	9,446,322	13,097,135
Due from Primary Government	-	11,825,305	19,704,638	26,324,753	22,891,265
Inventories	387,455	374,417	394,921	454,727	594,294
Prepaid Items	239	5,000	77,455	56,371	-
Notes Receivable, Net	449,714	305,391	307,393	547,956	220,361
Leases Receivable, Net	-	-	-	415,524	369,203
Total Current Assets	164,354,310	193,214,662	181,509,686	200,445,347	218,355,533
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	11,112,244	26,812,864	15,068,512	25,384,583	39,585,383
Receivables, Net	2,108,557	6,284,528	5,402,070	4,462,755	485,785
Restricted Due from Primary Government	-	32,851,242	14,576,548	-	-
Endowment Investments	93,910,720	97,861,372	94,953,987	134,626,607	139,974,673
Notes Receivable, Net	3,177,518	2,803,877	2,693,606	1,984,834	1,539,156
Leases Receivable, Net	-	-	-	1,026,325	693,216
Net Other Postemployment Benefits Asset	469,860	237,990	360,151	415,950	140,374
Capital Assets - Nondepreciable	33,530,683	71,742,094	70,210,260	42,973,941	34,496,428
Capital Assets - Depreciable Net	489,363,869	483,986,735	569,323,412	679,516,869	748,070,195
Total Noncurrent Assets	633,673,451	722,580,702	772,588,546	890,391,864	964,985,210
Total Assets	798,027,761	915,795,364	954,098,232	1,090,837,211	1,183,340,743
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Loss on Refunding	7,689,618	7,192,604	6,507,217	6,125,547	5,743,877
Deferred Outflows Related to Pensions	16,651,045	24,136,267	20,807,463	22,265,012	23,533,273
Deferred Outflows Related to Other Postemployment Benefits	8,622,578	25,752,058	62,767,942	52,716,342	67,449,723
Total Deferred Outflows of Resources	32,963,241	57,080,929	90,082,622	81,106,901	96,726,873
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	7,195,023	20,931,855	11,886,682	5,555,146	4,231,775
Deposits Payable	29,245	39,039	60,361	55,028	54,236
Funds Held for Others	-	-	-	8,601	53,592
Unearned Revenue	7,600,654	8,511,754	11,273,217	18,197,664	14,209,978
Interest Payable	1,635,645	1,731,549	1,265,092	1,289,375	1,300,585
Long-Term Liabilities - Current Portion	8,751,430	8,464,210	11,254,845	11,465,695	12,180,613
Total Current Liabilities	25,211,997	39,678,407	35,740,197	36,571,509	32,030,779
Noncurrent Liabilities:					
Accounts Payable	-	-	225,000	201,705	100,853
Funds Held for Others	2,906,168	3,034,148	421,480	439,376	658,249
Unearned Revenue	5,679,377	4,377,525	3,489,916	3,621,484	1,809,944
U.S. Government Grants Refundable	3,245,925	3,227,176	2,401,213	1,874,895	788,583
Long-Term Liabilities, Net	478,930,962	485,264,759	543,895,807	508,569,821	512,457,526
Total Noncurrent Liabilities	490,762,432	495,903,608	550,433,416	514,707,281	515,815,155
Total Liabilities	515,974,429	535,582,015	586,173,613	551,278,790	547,845,934
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Under Service Concession Arrangements	-	-	-	68,012,640	126,415,295
Deferred Gain on Refunding	528,130	469,449	1,396,270	1,211,675	1,027,079
Deferred Inflows Related to Pensions	1,104,728	391,139	87,451	-	25,897,185
Deferred Inflows Related to Other Postemployment Benefits	108,070,109	128,732,022	108,017,930	112,605,135	74,937,947
Deferred Inflows for Leases	-	-	-	1,441,849	1,072,692
Total Deferred Inflows of Resources	109,702,967	129,592,610	109,501,651	183,271,299	229,350,198
NET POSITION					
Net Investment in Capital Assets	320,268,162	332,554,045	406,245,302	428,352,223	438,537,558
Restricted - Nonexpendable	59,477,388	63,247,362	64,944,542	72,859,495	79,402,565
Restricted - Expendable	45,311,045	123,466,571	104,005,159	136,453,823	136,143,091
Unrestricted	(219,742,989)	(211,566,310)	(226,689,413)	(200,271,518)	(151,211,730)
Net Position June 30	\$ 205,313,606	\$ 307,701,668	\$ 348,505,590	\$ 437,394,023	\$ 502,871,484

*Note: The Statement of Net Position in fiscal years 2020 through 2022 reflect the accounting changes for GASB Statement No. 84, Fiduciary Funds, and include only the University's proprietary fund balances.

Other Information

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Fund

For the Fiscal Year Ended June 30, as indicated

	2018 (Restated)	2019 (Restated)	2020*	2021* (Restated)	2022*
OPERATING REVENUES					
Student Tuition, Net	\$ 79,650,661	\$ 80,843,521	\$ 85,937,333	\$ 83,554,607	\$ 89,120,926
Student Fees, Net	34,694,165	34,578,583	36,102,127	21,715,416	36,619,505
Student Tuition and Fees, Net	114,344,826	115,422,104	122,039,460	105,270,023	125,740,431
Federal Grants and Contracts	5,688,485	7,252,396	6,997,052	7,292,531	8,213,704
State and Local Grants and Contracts	1,636,364	3,244,188	3,029,367	3,570,901	3,769,883
Nongovernmental Grants and Contracts	1,023,629	1,436,177	1,228,170	1,754,764	2,760,489
Sales and Services, Net	49,993,468	46,621,551	43,668,723	37,987,226	48,137,746
Interest Earnings on Loans	33,640	2,043	-	7,568	-
Lease Income	-	-	-	-	466,678
Other Operating Revenues	3,263,630	3,043,268	3,391,452	3,553,549	5,946,978
Total Operating Revenues	175,984,042	177,021,727	180,354,224	159,436,562	195,035,909
OPERATING EXPENSES					
Salaries and Benefits	196,337,288	198,401,012	214,906,118	217,064,717	222,181,945
Supplies and Services	88,417,477	81,944,021	80,729,975	74,296,115	91,207,489
Capital Asset Impairment Loss, Net	-	221,231	-	-	-
Scholarships and Fellowships	20,208,747	23,778,223	32,152,476	42,185,426	31,147,710
Utilities	7,335,943	7,685,078	7,221,660	7,254,663	8,781,853
Depreciation	12,541,397	13,618,326	15,500,957	16,741,545	16,644,614
Total Operating Expenses	324,840,852	325,647,891	350,511,186	357,542,466	369,963,611
Operating Loss	(148,856,810)	(148,626,164)	(170,156,962)	(198,105,904)	(174,927,702)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	136,796,170	147,823,501	148,520,674	148,882,748	181,222,251
State Aid - Coronavirus	-	-	4,597	6,679,340	3,209,461
Student Financial Aid	27,659,918	29,318,102	28,676,145	27,252,838	26,396,375
Federal Aid - COVID-19	-	-	4,376,550	39,796,415	13,678,372
Noncapital Contributions, Net	2,718,093	11,416,582	4,597,684	10,388,148	2,915,112
Investment Income, Net	11,764,740	9,383,245	5,354,963	40,511,581	5,966,519
Interest and Fees on Debt	(8,703,357)	(8,585,139)	(8,267,256)	(7,775,982)	(7,624,150)
Insurance Recoveries on Capital Asset					
Impairment, Net	-	22,188,102	-	-	-
Hurricane Florence Disaster Costs	-	(57,678,611)	(22,218,079)	(3,384,095)	(1,168,586)
Hurricane Florence Insurance Recoveries	-	31,226,266	7,879,333	-	2,099,328
Federal Interest Subsidy on Debt	690,487	687,987	344,151	-	-
Interest Earned on Leases	-	-	-	-	6,921
Other Nonoperating Revenues (Expenses)	245,668	(321,629)	(520,422)	35,235	279,391
Net Nonoperating Revenues	171,171,719	185,458,406	168,748,340	262,386,228	226,980,994
Income (Loss) Before Other Revenues	22,314,909	36,832,242	(1,408,622)	64,280,324	52,053,292
Capital Appropriations	1,913,915	6,339,523	-	7,835,934	-
Capital Contributions	7,209,469	55,463,234	39,669,358	9,565,258	10,125,117
Additions to Endowments	1,627,505	3,753,063	2,543,186	7,208,816	3,299,052
Total Other Revenues	10,750,889	65,555,820	42,212,544	24,610,008	13,424,169
Increase in Net Position	\$ 33,065,798	\$ 102,388,062	\$ 40,803,922	\$ 88,890,332	\$ 65,477,461
Net Position July 1	172,247,808	205,313,606	307,701,668	348,505,590	437,394,023
Change in Net Position	33,065,798	102,388,062	40,803,922	88,890,332	65,477,461
Net Position June 30	205,313,606	307,701,668	348,505,590	437,395,922	502,871,484
Net Position Adjustment	-	-	-	(1,899)	-
Restated Net Position June 30	\$ 205,313,606	\$ 307,701,668	\$ 348,505,590	\$ 437,394,023	\$ 502,871,484

*Note: The Statement of Revenues, Expenses, and Changes in Net Position in fiscal years 2020 through 2022 reflect the accounting changes for GASB Statement No. 84, Fiduciary Funds, and include only the University's proprietary fund activities.

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